Annual Report 2008

四洲集團有限公司

Four Seas Mercantile Holdings Limited

Stock Code 股份代號：374

Contents

Corporate Information

Board of Directors	*Executive Directors* TAI Tak Fung, Stephen *(Chairman)* WU Mei Yung, Quinly *(Managing Director)* MAN Wing Cheung, Ellis YIP Wai Keung WU Wing Biu CHAN Siu Ling, Doris (resigned on 26 January 2008) *Independent non-executive Directors* LEUNG Mei Han CHAN Yuk Sang, Peter Hiroshi ZAIZEN
Company Secretary	NAM Chi Ming, Gibson
Auditors	Ernst & Young
Place of Incorporation	Cayman Islands
Principal Share Registrars and Transfer Office	Caledonian Bank & Trust Limited Caledonian House 69 Dr. Roy's Drive P.O. Box 1043 KY1-1102 George Town Grand Cayman Cayman Islands British West Indies

Hong Kong Branch Share Registrars and Transfer Office	Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
Registered Office	The offices of Caledonian Bank & Trust Limited Caledonian House 69 Dr. Roy's Drive P.O. Box 1043 KY1-1102 George Town Grand Cayman Cayman Islands British West Indies
Principal Place of Business in Hong Kong	Four Seas Group Building No. 1 Hong Ting Road Sai Kung Hong Kong
Principal Bankers	The Bank of Tokyo-Mitsubishi UFJ, Limited Sumitomo Mitsui Banking Corporation Mizuho Corporate Bank Limited China Construction Bank Corporation Bank of China (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited Calyon Standard Chartered Bank (Hong Kong) Limited Hang Seng Bank Limited The Bank of East Asia, Limited
Website	http://www.fourseasgroup.com.hk

Chairman's Statement

Dr. TAI Tak Fung, Stephen, SBS, JP, ***Chairman***

RESULTS

I, on behalf of the board of directors, announce that the turnover of the Group for the financial year ended 31 March 2008 was HK$2,096,535,000 (2007: HK$1,875,515,000) representing a 11.8% increase as compared with the last financial year. The net profit attributable to equity holders of the parent decreased to HK$81,172,000 (2007: HK$106,419,000).

DIVIDEND

The board of directors has recommended the payment of a final dividend of HK5.0 cents (2007: HK5.0 cents) per share in respect of the financial year ended 31 March 2008. Subject to shareholders' approval at the annual general meeting to be held on 9 September 2008, the final dividend will be payable on 23 September 2008. Together with the interim dividend of HK2.0 cents per share, the total distribution for the financial year ended 31 March 2008 is HK7.0 cents (2007: HK7.0 cents).

BUSINESS REVIEW AND PROSPECTS

Business Review

During the year under review, the Group's overall food businesses maintained solid competitive edge in the market and performed satisfactorily. Benefiting from Hong Kong's steady economic growth, the Group continued to strengthen its product range, introduced new offerings to meet specific market needs and enhanced the quality of the Four Seas brand. An effective and flexible business strategy has successfully contributed to a steady increase of the Group's sales in Hong Kong to HK$1,325,233,000, up 7.3%. At the same time, riding on Mainland China consumer market's continued development and consumers' demand for quality food and leading brand products, the Group's sales in Mainland China









performed steadily with the sales growing to HK$771,302,000, representing an increase of 20.5%. During the year, supply of raw materials tightened, prices continued rising especially more rapidly during the second half, coupled with an unrelenting strong yen, all exerting pressure on product costs. The Group has already responded with gradual upward sales price adjustments, however, this was not able to fully offset the rise in costs in the short-run, leading to a drop in the year's earnings.

Food Distribution

Food distribution has all along been the Group's core business. Riding on its renowned reputation in the industry, an expanding distribution network and strengthening customer relationship, the Group was able to enlist internationally famous brands and high quality food products under its portfolio, which further consolidate its business. Early in the year, the Group was awarded "The Best Brand 2007" by Park'n Shop, recognising the Group's outstanding performance in brand management, distribution and sales service.

As the platform for market trials and new products sales launches, the Group's Okashi Land retail chain has a distinct brand image and unique market positioning, with new products being popular and trendy among consumers. At the end of the year, Okashi Land was honoured by MTR Corporation Limited and Metro Broadcast Corporation Limited as "Most Favourite MTR Shops" and "Student's Most Favourite Brand" respectively.

Food Manufacturing

To date, the Group has 19 manufacturing plants in Mainland China and Hong Kong producing a wide range of value-added products including seaweed, high quality candies, snacks and confectioneries, peanuts, potato chips, instant noodles, ice-cream, beverages, ham and sausages, biscuits, cakes and bread, chestnuts and frozen dim sums.

Given persistent growth for snacks in Hong Kong and Mainland China, driving up demand for high quality products, the Group has sought to expand capacity and quality of all its facilities while researching new product flavours. For example, the Nico Four Seas (Shantou) Co., Ltd. has successfully come up with a new series of crispy seaweed products to meet new consumer tastes based on the success of its current seaweed products.

On another front, in view of rising material costs which had affected the segment results in Mainland China of the Group, through managing costs, enhancing production, professional management, augmenting capacity and improving quality, products of the Group continue to remain highly competitive in the market.

Efforts on managing food quality have seen major successes for the Group in recent years. Following the accolades of "Creditable-Quality Food Products in Nation", "Creditable-Quality Enterprises", "Certified for the Q-Mark Scheme over ten years" and "Fresh Check Food Safety Certificate Grade A Award", "Asia Management Innovation Award", "China Food Industry Outstanding Contribution Award" and "China Independent Innovation and Brand Building Award", the Group's Kanro Four Seas Foods (Shantou) Co., Ltd. and Li Fook (Qingdao) Foods Co., Ltd. had been granted ISO 9001 and ISO 22000 (HACCP) certification at the end of last year.

Four Seas Brand

Riding on our motto of "Leading in trend, Winning in quality", Four Seas Brand products have long been well received among consumers. During the period, the Group successfully launched the Four Seas POP crispy seaweed series, which quickly became popular in the market, and shortly after its launch was recognised by 7-Eleven as the "2008 Leading Brand Award." This was another major achievement after the end of last year for Four Seas biscuits' award of "Hong Kong Top Ten Supermarket Favourite Brand" by Wellcome Supermarket.

As a fully indigenous Hong Kong brand, Four Seas Brand products have gained widespread market recognition. Late last year, the Group was awarded "The Most Honoured Hong Kong Enterprise Brand 2007" organised jointly by Ming Pao and the Chinese University of Hong Kong. The Group also received the honour of "Hong Kong Outstanding Enterprise Award" for four years in a row, recognising its achievements in brand building and corporate governance.

The Calbee Four Seas Factory in Tseung Kwan O

Kanro Four Seas Foods (Shantou) Co., Ltd.

Pokka Four Seas (Suzhou) Food Co., Ltd.


Li Fook (Qingdao) Foods Co., Ltd.


Tsun Fat (Huizhou) Biscuit Factory Ltd.


Nico Four Seas (Shantou) Co., Ltd.

Catering Business

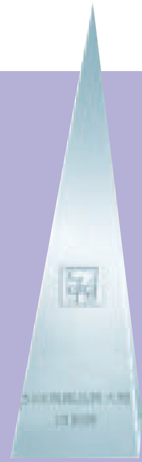
The Group's catering business includes Japanese café chain restaurants, Japanese specialty restaurants, and high-end vegetarian cuisine restaurants. Given Hong Kong's robust economy and a mature local market, the Group's catering business was able to achieve satisfactory development. At the same time, the Group's catering business in Mainland China underwent further growth, attributable to China's rising consumer sophistication and spending power.

In Mainland China, the Group's acquired longstanding renowned Panxi Restaurant has opened for business in the beginning of the year, starting a new chapter in the Group's catering business. Located in Liwan District in Guangzhou, Panxi Restaurant is one of the largest garden restaurants in the Mainland with leading cuisines and among its patrons were international heads of state, like former British Prime Minister Heath, former Australia Prime Minister Fraser, former Vietnam President Ho Chi Minh, former Singapore Prime Minister Lee Kuan Yew, former US President George H.W. Bush, and former German Chancellor Helmut Kohl. During his recent visit to Guangzhou, Thai Prime Minister Samak Sundaravej has also praised the dishes of the restaurant. Through the Group's distribution network in Hong Kong and Mainland China, the increasing sales of the restaurant's high quality dim sums would set to bring in a new source of revenue to the Group.

In Hong Kong, with the recovery of economy, more people are eating out, benefiting the Group's restaurants. Among them, Pokka Café, a joint venture with Pokka Corporation of Japan, which has long been popular among consumers, has brought in good earnings contribution to the Group. At the same time, the Japanese specialty restaurant, Restaurant Shiki, in Admiralty, as well as the Japanese conveyor-belt sushi chain restaurants in Mainland China have recorded satisfactory growth during the year.

Four Seas Mercantile Limited has been awarded "2007 Best Brand Award" by Park'n Shop

Four Seas has been awarded "Hong Kong Outstanding Enterprise 2007" by the Economic Digest



Four Seas brand has been awarded "Leading Brand 2008" award" by 7-Eleven

Four Seas Cracker was awarded "Top 10 Supermarket Favourite Brand" by Wellcome

Four Seas Group was awarded "The Most Honored Hong Kong Enterprise Brand 2007" by Ming Pao Daily and Hong Kong Chinese University

Kung Tak Lam Shanghai Vegetarian Cuisine Limited has long maintained a leadership position in the vegetarian restaurant sector, particularly successful in attracting the health-conscious young consumer group with its premium healthy vegetarian cuisine and high-quality decoration. During the year, the original outlet in Causeway Bay has moved to World Trade Centre, a premium Grade-A shopping complex, in the same district, drawing many luminaries and socialites among its patronage, and succeeded in extending its clientele to a new level. Early in the year, Kung Tak Lam was voted by a local magazine as "My Most Favourite Restaurant 2008".

With over 38 years of experience, the Group's wholly-owned subsidiary New Kondo Trading Company Limited is a leader in supplying Japanese restaurants with over 1,000 types of Japanese food products. The company recorded good results and continued to contribute steady earnings to the Group.

Looking Forward

Looking ahead, I am confident that Sino-Hong Kong trade would continue apace. Hong Kong would continue to benefit from drawing on China's booming economy, resulting in enormous business opportunities. The Group would build on its more than 37 years' wealth of industry experience and solid market advantage to drive its "integrated business model" of operation, strengthen its core businesses, expand market opportunities in Mainland China, bringing the Group's business to a new level. The management maintains an optimistic view of the Group's future development.

ACKNOWLEDGEMENT

I would like to express my gratitude to our shareholders for their trust and support over the past year. At the same time, I offer my utmost appreciation to all directors, the management and every member of the staff for their loyalty and diligence.

Dr. TAI Tak Fung, Stephen, SBS, JP
Chairman

Hong Kong, 18 July 2008

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries and associates are set out in notes 19 and 20 to the financial statements, respectively. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2008 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 38 to 133.

An interim dividend of HK2.0 cents per share was paid by the Company on 4 February 2008. The directors recommend the payment of a final dividend of HK5.0 cents per share in respect of the year to shareholders on the register of members on 9 September 2008. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**2,096,535**	1,875,515	1,747,716	1,561,785	1,389,343
PROFIT FOR THE YEAR	**86,176**	110,760	88,701	92,046	64,342
Attributable to:					
Equity holders of the parent	**81,172**	106,419	94,561	80,720	64,763
Minority interests	**5,004**	4,341	(5,860)	11,326	(421)
	86,176	110,760	88,701	92,046	64,342

	As at 31 March				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
TOTAL ASSETS	**1,940,142**	1,617,308	1,530,107	1,363,363	1,257,948
TOTAL LIABILITIES	**(1,035,846)**	(788,424)	(799,647)	(701,855)	(657,951)
	904,296	828,884	730,460	661,508	599,997

The information set out above does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment, and an investment property of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's investment property are set out on page 134.

SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2008, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK$303,941,000, of which HK$19,978,000 has been proposed as a final dividend for the year.

BORROWINGS

Details of the Group's bank borrowings at the balance sheet date are set out in note 28 to the financial statements.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

TAI Tak Fung, Stephen *(Chairman)*
WU Mei Yung, Quinly *(Managing Director)*
MAN Wing Cheung, Ellis
YIP Wai Keung
WU Wing Biu
CHAN Siu Ling, Doris (resigned on 26 January 2008)

Independent non-executive directors:

LEUNG Mei Han
CHAN Yuk Sang, Peter
Hiroshi ZAIZEN

In accordance with article 119 of the Company's articles of association, Dr. Tai Tak Fung, Stephen, Dr. Wu Mei Yung, Quinly and Mr. Wu Wing Biu will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Ms. Leung Mei Han, Mr. Chan Yuk Sang, Peter and Mr. Hiroshi Zaizen pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

Dr. Tai Tak Fung, Stephen has a service contract with the Company for a term of two years which commenced on 1 April 2008 and is subject to termination by either party giving not less than three months' written notice.

Dr. Wu Mei Yung, Quinly has a service contract with the Company for a term of two years which commenced on 1 April 2008 and is subject to termination by either party giving not less than three months' written notice.

Mr. Wu Wing Biu has a service contract with the Company for a term of two years which commenced on 1 April 2008 and is subject to termination by either party giving not less than three months' written notice.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' remuneration is determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group, and the remuneration committee of the Group. Particulars of the duties and responsibilities of the remuneration committee are set out in "Corporate Governance Report" of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2008, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in ordinary shares of the Company:

	Number of ordinary shares held, capacity and nature of interest					
Name of director	Directly beneficially owned	Through controlled corporation	Beneficiary of a trust	Through controlled corporation and other interests	Total interests	Percentage of the Company's issued share capital
Tai Tak Fung, Stephen	–	81,250,000 (i)	82,000,000 (ii)	113,796,000 (iii)	277,046,000	69.34%
Wu Mei Yung, Quinly	–	81,250,000 (i)	82,000,000 (ii)	113,796,000 (iii)	277,046,000	69.34%
Yip Wai Keung	680,000	–	–	–	680,000	0.17%

Notes:

(i) The 81,250,000 shares are owned by Special Access Limited ("SAL"), a company wholly owned by Dr. Tai Tak Fung, Stephen, and his spouse Dr. Wu Mei Yung, Quinly.

(ii) The 82,000,000 shares are owned by Careful Guide Limited ("CGL") whose shares are owned by a discretionary trust, the Tai Family Trust, the eligible beneficiaries of which include members of the family of Dr. Tai Tak Fung, Stephen, and his spouse Dr. Wu Mei Yung, Quinly.

(iii) The 113,796,000 shares are owned by Capital Season Investments Limited ("CSI"). CSI is wholly owned by Advance Finance Investments Limited ("AFI"), which is a wholly-owned subsidiary of Four Seas Food Investment Holdings Limited ("FSFH"). Accordingly, FSFH is deemed to be interested in 113,796,000 shares in the Company. FSFH is owned as to 0.07% by the Company, 2.59% by Dr. Tai Tak Fung, Stephen, 20.38% by SAL, and as to 11.91% by CGL. As Dr. Wu Mei Yung, Quinly is the spouse of Dr. Tai Tak Fung, Stephen, Dr. Wu Mei Yung, Quinly is deemed to be interested in the shares of Dr. Tai Tak Fung, Stephen, and vice versa. Therefore, Dr. Tai Tak Fung, Stephen, and his spouse Dr. Wu Mei Yung, Quinly are considered to have deemed interests in 113,796,000 shares of the Company.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

All the interests stated above represent long positions in the shares of the Company. Save as disclosed above, as at 31 March 2008, none of the directors nor any of their associates had registered any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

During the year ended 31 March 2008, none of the directors of the Company or any of their respective spouses or minor children was granted or held options to subscribe for shares in the Company (within the meaning of Part XV of the SFO), or had exercised such rights.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2008, the following parties, other than the directors of the Company, had interests of 5% or more of the total issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of substantial shareholder	*Notes*	Capacity and nature of interest		Number of ordinary shares held	Percentage of the Company's issued share capital
SAL		Direct	Long position	81,250,000	20.34%
CGL		Direct	Long position	82,000,000	20.52%
HSBC International Trustee Limited	*(i)*	Deemed	Long position	82,000,000	20.52%
CSI		Direct	Long position	113,796,000	28.48%
AFI	*(ii)*	Deemed	Long position	113,796,000	28.48%
FSFH	*(iii)*	Deemed	Long position	113,796,000	28.48%
Arisaig Greater China Fund ("Arisaig Fund")		Direct	Long position	28,334,000	7.09%
Arisaig Partners (Mauritius) Limited ("Arisaig Mauritius")	*(iv)*	Deemed	Long position	28,334,000	7.09%
Lindsay William Ernest Cooper	*(v)*	Deemed	Long position	28,334,000	7.09%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Notes:

(i) The interest of HSBC International Trustee Limited is held as trustee via CGL for a discretionary trust, the Tai Family Trust, the eligible beneficiaries of which include members of the family of Dr. Tai Tak Fung, Stephen, and his spouse Dr. Wu Mei Yung, Quinly. These interests are also included as beneficiary of a trust of Dr. Tai Tak Fung, Stephen, and his spouse Dr. Wu Mei Yung, Quinly in the above section headed "Directors' interests and short positions in shares and underlying shares" above.

(ii) AFI is deemed by virtue of its holding of the entire issued share capital of CSI to be interested in the shares of the Company held by CSI.

(iii) FSFH is deemed to be interested in the shares of the Company held by CSI by virtue of its holding in the entire issued share capital of AFI, which in turn wholly owns CSI.

(iv) The figure refers to the same holding of 28,334,000 shares of the Company held by the Arisaig Fund. Arisaig Mauritius is the investment manager of Arisaig Fund and is thereby deemed to have an interest in the shares in which Arisaig Fund is interested.

(v) Mr. Lindsay William Ernest Cooper has only an indirect beneficial interest in Arisaig Mauritius (the investment manager of Arisaig Fund), but is thereby deemed to have an interest in the shares in which Arisaig Mauritius is interested.

Save as disclosed above, as at 31 March 2008, no persons, other than the directors of the Company whose interests are set out in the above section headed "Directors' interests and short positions in shares and underlying shares", had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company did not have any outstanding option at the beginning and at the end of the year. During the year, no options have been granted under the share option scheme adopted by the Company on 2 September 2002. Details of the share option scheme are set out in note 31 to the financial statements.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. TAI Tak Fung, Stephen, SBS, JP, PhD (honoris causa), aged 60, has been an executive director of the Company since June 1993. Dr. Tai is the founder and chairman of the Group, responsible for corporate and policy planning. He holds Honorary Professor of Canadian Chartered Institute of Business Administration in Canada, the Visiting Professor of South China Normal University, Honorary Doctorate of Philosophy of Morrison University in the United States and Doctor of Philosophy in Business Administration (honoris causa) of Southern California University for Professional Studies in the United States. He is a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference and a Standing Committee Member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference. Dr. Tai holds several public positions, including the president of Hong Kong Foodstuffs Association, the president of Hong Kong Japan Confectionery, Biscuit & Foodstuffs Association, the chairman of Guangdong Chamber of Foreign Investors, the consultant of China National Food Industry Association, Economic Adviser of Jilin City and member of the Greater Pearl River Delta Business Council of HKSAR. He received a number of awards and accolades, including the World Outstanding Chinese Award, the 30th Food Industry Distinguished Service Award, Award of the Ministry of Agriculture, Forestry and Fisheries of Japan for the Overseas Promotion of Japanese Food, the Outstanding Contribution Award of China National Food Industry, the Top 10 Outstanding People of Asia Management Innovation Award, the Top 10 Famous People of China Innovative Branding Award, Social Responsibility Contribution Award, "Honourable Citizen of Shantou City", "Honourable Citizen of Guangzhou City" and "Honourable Citizen of Jilin City" in Mainland China. He is also the chairman of Four Seas Food Investment Holdings Limited ("FSFH"), a substantial shareholder of the Company and the shares of which are listed on the Stock Exchange, and a director of Careful Guide Limited and Special Access Limited, the substantial shareholders of the Company.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Dr. WU Mei Yung, Quinly, PhD (honoris causa), aged 55, has been an executive director of the Company since June 1993. Dr. Wu is a co-founder and the managing director of the Group, responsible for the Group's strategic planning, human resources, merchandising and purchasing policies; leading the Group's core business in congruence with its corporate development. She has more than 33 years' experience in the food and confectionery business. Dr. Wu is also a director of Careful Guide Limited and Special Access Limited, the substantial shareholders of the Company. She is the spouse of Dr. Tai Tak Fung, Stephen.

Mr. MAN Wing Cheung, Ellis, aged 52, has been an executive director of the Company since August 1999. Mr. Man is the finance director of the Group, responsible for corporate finance, accounting, information technology and project investments of the Group. Mr. Man has a Master of Commerce degree from the University of New South Wales in Australia. He is also a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. He gained extensive experience in finance and accounting from overseas multinational corporations. Mr. Man joined the Group in 1992. He is also a director of FSFH.

Mr. YIP Wai Keung, aged 58, has been an executive director of the Company since June 1993. Mr. Yip is responsible for the project development of the Group and liaising with the joint venture partners. Prior to joining the Group, Mr. Yip was responsible for marketing and promotion activities in a Japanese food company in Hong Kong. He has more than 35 years' experience in sales and marketing. Mr. Yip joined the Group in 1979. He is also a director of FSFH.

Mr. WU Wing Biu, aged 49, has been an executive director of the Company since June 1993. Mr. Wu is responsible for product purchasing and merchandising as well as brand name development; assisting in the establishment of close relationship with suppliers. He has more than 23 years' experience in the food and confectionery industry. Mr. Wu joined the Group in 1978. He is a brother of Dr. Wu Mei Yung, Quinly, an executive director of the Company.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Ms. CHAN Siu Ling, Doris, aged 55, has been an executive director of the Company since January 2006. Ms. Chan was the deputy managing director of the Group, responsible for general administration and human resources of the Group as well as supervision of restaurant and retail businesses. She holds a certificate in public management from the University of California, Berkeley. She has more than 28 years' working experience in governmental and statutory organisations with various appointments included chief executive officer in the Hong Kong Civil Service Bureau, the Trade and Industry Department and the Hospital Authority. She was the head of human resources and administration of the Airport Authority Hong Kong and a member of its executive committee. She worked in the Group from 2001 to 2004, and re-joined the Group in January 2006. Ms. Chan resigned as an executive director of the Company on 26 January 2008.

Independent Non-executive Directors

Ms. LEUNG Mei Han, aged 49, has been an independent non-executive director of the Company since December 1998. Ms. Leung holds a Bachelor of Commerce degree from the University of Queensland in Australia and is a fellow member of CPA Australia. Ms. Leung has 24 years' experience in corporate finance and related areas. Ms. Leung is also an independent non-executive director of Bossini International Holdings Limited and Yue Da Mining Holdings Limited, both companies are listed on the Main Board of the Stock Exchange.

Mr. CHAN Yuk Sang, Peter, aged 62, has been an independent non-executive director of the Company since July 2000. Mr. Chan was the chairman of a company listed on the Stock Exchange until July 2002. He was a senior general manager of a local bank until November 1998. Mr. Chan was also a director of a listed company in Hong Kong from 1993 to 1995 and an executive director of a joint Chinese-foreign bank in Shenzhen until 1995. He has more than 38 years' experience in the banking and finance industry. Mr. Chan is currently an independent non-executive director of Gome Electrical Appliances Holding Limited, a company listed on the Main Board of the Stock Exchange.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent Non-executive Directors (continued)

Mr. Hiroshi ZAIZEN, aged 74, has been appointed as an independent non-executive director of the Company since 4 July 2006. Mr. Zaizen is a graduate of Waseda University. He was decorated for the Knight of the Order of the Dannebrog from The Queen of Royal Denmark. Between the years 1988 and 1998, Mr. Zaizen was the chairman and managing director of Mitsubishi Corporation (Hong Kong) Limited and an executive vice president and representing director of Mitsubishi Corporation. Mr. Zaizen holds several public positions including the president of Japan-Hong Kong Business Association, Counsellor of Japan/ Denmark Association, a member of Executive Committee of Federation of Hong Kong Business Associations Worldwide, a member of Japan/Canada Forum and a member of Japan Hong Kong Business Committee. He has an extensive business and management experience in food industry.

Senior Management

Mr. TSE Siu Wan, aged 47, is a director and the general manager of Hong Kong Ham Holdings Limited ("HK Ham"), a wholly-owned subsidiary of the Group, responsible for the management of the Group's ham manufacturing operations. He has extensive experience in the manufacturing of ham and ham related products. Mr. Tse joined HK Ham in 1980. He is also a director of FSFH.

Mr. LO Ka Sing, Kassim, aged 54, is the director of the Group's China sales department, responsible for sales activities in Mainland China. Mr. Lo holds a Master of Business Administration degree from the Southern California University for Professional Studies in the United States. Prior to joining the Group, he was the assistant general manager of a listed company in Hong Kong. He has more than 30 years' experience in sales and marketing. Mr. Lo joined the Group in 1996.

Mr. LAI Yuk Fai, Patrick, aged 53, is the director of the Group's business development department, responsible for the Group's business development and purchase and sales of raw materials. Mr. Lai has a Bachelor of Business Administration degree from The Chinese University of Hong Kong. Prior to joining the Group, he was the general manager of sales department of a multinational company. Mr. Lai joined the Group in 1998 and temporarily left in the latter part of 2007 and re-joined the Group in 2008.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior Management (continued)

Mr. NAM Chi Ming, Gibson, aged 47, is the company secretary and the qualified accountant, responsible for managerial controls and company secretarial affairs. He holds a Master of Business Administration degree from The Chinese University of Hong Kong. Mr. Nam is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. He has extensive financial and managerial experience. Mr. Nam worked in the Group from 1996 to 1999, and re-joined the Group in 2001.

Mr. WONG Hung Kin, aged 49, is the associate director of the merchandising and marketing department of the Group, responsible for product purchasing and marketing. Mr. Wong holds a Master of Business Administration degree from the Southern California University for Professional Studies in the United States. Prior to joining the Group, he was a senior merchandising manager of a local winery company and has over 26 years' experience in purchasing and marketing. Mr. Wong joined the Group in 1995.

Ms. MOK Wai Ting, Eleanor, aged 47, is the associate director of the sales department of the Group, responsible for sales in Hong Kong and Macau. Ms. Mok holds a Master of Business Administration degree from the University of Brunel of the United Kingdom. Prior to joining the Group, she was a Regional Director of a multinational company, responsible for managing sales and marketing of the trading business in Asia Pacific Region. She has substantial experience in the fast moving consumer goods industry. Ms. Mok joined the Group in 2008.

Ms. WONG Yuen Shan, Susanna, aged 42, is the general manager of the Group's communications department, responsible for corporate communications and advertising activities. Before joining the Group, she worked for an international communications consultancy and a Hong Kong listed retail chain, responsible for corporate communications in Asia Pacific Region. Ms. Wong joined the Group in 2005.

Mr. HO Kwok Tong, Fred, aged 54, is the general manager of the Group's information technology department, responsible for information technology and systems development. He holds a Master of Business Administration degree from Southern California University for Professional Studies in the United States. Mr. Ho has over 32 years' experience in the development of management information systems. He joined the Group in 1994.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 24.0% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 29.8% of the total purchases for the year and purchases from the largest supplier included therein amounted to 11.9%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and facilities granted by its principal bankers. As at 31 March 2008, the Group had banking facilities of HK$1,368,300,000 of which 54% had been utilised. The Group had a gearing ratio of 85% as at 31 March 2008. This is expressed as the total bank borrowings to equity attributable to equity holders of the parent. Bank borrowings of the Group, denominated in Hong Kong dollars, Japanese yen or United States dollars, mainly comprise trust receipt loans and bank loans (the "Interest-Bearing Bank Borrowings") at prevailing market interest rates. The Interest-Bearing Bank Borrowings which are classified as current liabilities are repayable within one year and the Interest-Bearing Bank Borrowings in non-current liabilities are repayable between two and five years. As at 31 March 2008, the Group held cash and cash equivalents of HK$443,701,000. During the year, the Group placed surplus short term funds in short term currency-linked deposits and foreign currency deposits with banks and earned a net investment gain of HK$10,380,000. As at 31 March 2008, no currency-linked deposits were placed with banks. There were no significant changes in the Group's contingent liabilities and no charges on the Group's assets during the year under review.

STAFF EMPLOYMENT

The total number of employees of the Group as at 31 March 2008 was 4,203. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. The Group operates a mandatory provident fund scheme which covers all the employees of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CORPORATE GOVERNANCE

Details of the corporate governance are set out in "Corporate Governance Report" of this annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the independent non-executive directors of the Company.

The summary of duties and works of the audit committee is set out in "Corporate Governance Report" of this annual report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Dr. TAI Tak Fung, Stephen, SBS, JP
Chairman

Hong Kong, 18 July 2008

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 March 2008.

CORPORATE GOVERNANCE PRACTICES

The Company and the management are committed to maintain a good corporate governance with an emphasis on the principles of transparency, accountability and independence to all shareholders. The Company believes that good corporate governance is an essence for a continual growth and enhancement of shareholders' value. Throughout the year under review, the Company has applied the principles of and complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") except for the deviations from code provisions A.4.1 and A.4.2 which are explained below. The Company periodically reviews and improves its corporate governance practices with reference to the latest development of corporate governance.

The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Board Responsibilities

The role of the Board is to set up strategic goals, performance objectives and operational policies; establish a framework of prudent and effective controls which enables risk to be assessed and managed; delegate authorities to the management to manage and supervise the business of the Group; and ensure the management monitor performance against objectives being set.

The Company has formalised a written guideline for the division of responsibilities between the Board and management. Certain responsibilities or functions have been delegated by the Board to the management which include the day-to-day business operation of the Group, execution of corporate strategies, business and financial plans and budgets approved by the Board and preparation of annual and interim financial statements. The Board has reserved for its decisions matters of the Group covering the approval of significant changes in accounting or capital structure; approval of public announcements and the financial statements; approval of major acquisitions, disposals and major capital projects; approval of material borrowings and any issuing or buying back of equity securities; approval of the annual budget and setting of the dividend policy.

THE BOARD (continued)

Board Composition

The Board of the Company comprises 8 directors, of which 5 are executive directors and 3 are independent non-executive directors.

The following chart shows the structure and membership of the Board and Board's Committees:

Board of Directors

Executive directors
Tai Tak Fung, Stephen *(Chairman)*
Wu Mei Yung, Quinly *(Managing Director)*
Man Wing Cheung, Ellis
Yip Wai Keung
Wu Wing Biu
Chan Siu Ling, Doris (resigned on 26 January 2008)

Independent non-executive directors
Leung Mei Han
Chan Yuk Sang, Peter
Hiroshi Zaizen

Company Secretary
Nam Chi Ming, Gibson

Executive Committee
Tai Tak Fung, Stephen *(Chairman)*
Wu Mei Yung, Quinly
Man Wing Cheung, Ellis
Yip Wai Keung

Audit Committee
Leung Mei Han *(Chairman)*
Chan Yuk Sang, Peter
Hiroshi Zaizen

Remuneration Committee
Wu Mei Yung, Quinly *(Chairman)*
Leung Mei Han
Chan Yuk Sang, Peter

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The relationship among some members of the Board are disclosed under "Profiles of Directors and Senior Management" in this Annual Report.

THE BOARD (continued)

Board Meeting

Number of Meetings and Directors' Attendance

The Board meets regularly throughout the year to discuss and formulate overall strategies for the Company, monitor financial performance and discuss the interim and annual results, as well as other significant matters.

The Board has convened four regular meetings during the year ended 31 March 2008 and the attendance record of each director is set out below:

Name of directors	No. of Board Meetings	No. of attendance	Average attendance rate
Executive directors			
Tai Tak Fung, Stephen *(Chairman)*	4	4	100%
Wu Mei Yung, Quinly *(Managing Director)*	4	4	100%
Man Wing Cheung, Ellis	4	4	100%
Yip Wai Keung	4	4	100%
Wu Wing Biu	4	4	100%
Chan Siu Ling, Doris *(Note)*	3	3	100%
Independent non-executive directors			
Leung Mei Han	4	4	100%
Chan Yuk Sang, Peter	4	4	100%
Hiroshi Zaizen	4	4	100%

Note:

Ms. Chan Siu Ling, Doris resigned as an executive director of the Company with effect from 26 January 2008.

THE BOARD (continued)

***Board Meeting* (continued)**

Practices and Conduct of Meetings

Notice of regular Board meetings are served to all directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings. For committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

An agenda and accompanying Board papers together with all appropriate, complete and reliable information are sent to all directors or committee members at least 3 days before each Board meeting and each committee meeting to enable all directors or committee members to have full and timely access to the information in relation to the Company's business and make further enquiries where necessary. All directors are encouraged to take independent professional advice, at the Company's expense, upon the performance of their duties as and when deemed necessary. The Board and each director have separate and independent access to the senior management.

Minutes of all Board meetings and committee meetings are kept by the Company Secretary. Draft minutes are normally circulated to directors for comment within a reasonable time frame after each meeting and the final version is open for directors' inspection.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered material by the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.

Director's Independence and Relationship

During the year ended 31 March 2008, the Board at all times met the requirements of the Listing Rules relating to the appointment of 3 independent non-executive directors with at least one of them possesses appropriate accounting and financial management expertise as required under the Rule 3.10(2) of the Listing Rules. The Company has received written annual confirmation from each independent non-executive director of his/her independence and the Company considers the existing independent non-executive directors to be independent under the independence guidelines set out in Rule 3.13 of the Listing Rules up to the date of this Annual Report.

Biographical details and relevant relationships among the directors are set out in the "Profiles of Directors and Senior Management" section in the Report of the Directors of this Annual Report.

THE BOARD (continued)

Directors' Appointment and Re-election

Appointment

Although the Company has not set up a nomination committee, the Board is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection and recommendation of candidates for directorship of the Company by reference to the skills, experience, professional knowledge and personal integrity of the proposed candidates as well as other relevant statutory requirements.

Each newly appointed director receives a comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary.

THE BOARD (continued)

Directors' Appointment and Re-election (continued)

Re-election

In accordance with the Articles of Association of the Company (the "Articles of Association"), one-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation for re-election by shareholders at annual general meeting, such that every director is subject to retirement by rotation at least once every three years.

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, all independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Under the code provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In accordance with the Articles of Association of the Company, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election. The Board considers that such a deviation is not material as casual vacancy seldom appears and interval between the appointment made to fill casual vacancy and the immediate following annual general meeting is short.

Roles of Chairman and Managing Director

Currently, Dr. Tai Tak Fung, Stephen and Dr. Wu Mei Yung, Quinly hold the positions of Chairman and Managing Director, respectively. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership for the Board and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the executive directors and senior management, the Managing Director is responsible for managing the Group's business, including implementation of objectives, policies and major strategies and initiatives adopted by the Board. She is also in charge of the Company's day-to-day operation in accordance with the instructions from the Board.

THE BOARD (continued)

Board Committees

The Board has established three committees, namely the Executive Committee, the Audit Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference. The terms of reference of the Board committees are available to shareholders upon request.

Executive Committee

The Executive Committee was established in July 2001 and all of its members are executive directors.

The main duties and responsibilities of the Executive Committee include approval and execution of the corporate guarantees to be provided by the Company to individual bankers in respect of the banking facilities granted to any member of the Group, including wholly-owned subsidiaries, non-wholly-owned subsidiaries and associated corporations within the meaning of the Hong Kong Companies Ordinance.

Audit Committee

The Audit Committee was established in July 2000 with specific written terms of reference which set out its role and function and all of its members are independent non-executive directors, one of them possesses the appropriate professional qualifications or accounting or related financial management expertise. As at the date of this Annual Report, the Audit Committee comprises three independent non-executive directors, namely Ms. Leung Mei Han *(Chairman of the Audit Committee)*, Mr. Chan Yuk Sang, Peter and Mr. Hiroshi Zaizen.

THE BOARD (continued)

Board Committees (continued)

Audit Committee (continued)

The duties and responsibilities of the Audit Committee include, inter alia, the following:

Relationship with the Company's auditors

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any question of resignation or dismissal of that auditors;

(b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) to develop and implement policies on the engagement of external auditors to provide non-audit services;

Review of financial information of the Company

(d) to monitor the integrity of the financial statements, review the annual and interim reports, and review significant financial reporting judgments contained in them before submission to the Board;

Oversight of the Company's financial reporting system and internal control procedures

(e) to review financial controls, internal control and risk management systems;

(f) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

(g) to consider any finding of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(h) to ensure co-ordination between the internal and external auditors and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

(i) to review the Group's financial and accounting policies and practices;

(j) to review the external auditors' management letter, any material queries raised by the external auditors to the management in respect of the accounting records, financial statements or systems of control and management's response;

(k) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

(l) to report to the Board on all matters set out in the code provisions in relation to the Audit Committee contained in Appendix 14 of the Listing Rules; and

(m) to consider any other topics, as defined by the Board.

THE BOARD (continued)

Board Committees (continued)

Audit Committee (continued)

Oversight of the Company's financial reporting system and internal control procedures (continued)

The Audit Committee held two meetings during the year ended 31 March 2008 to review the accounting principles and practices adopted by the Group and discuss internal controls and financial reporting matters including a review of the interim financial statements for the six months ended 30 September 2007 and the annual financial statements for the year ended 31 March 2007 of the Company. The Audit Committee has also reviewed the annual results for the year ended 31 March 2008 of the Group.

The attendance records of the Audit Committee during the year are set out below:

Name of the committee members	No. of Audit Committee Meetings	No. of attendance	Average attendance rate
Leung Mei Han			
(Chairman of the Audit Committee)	2	2	100%
Chan Yuk Sang, Peter	2	2	100%
Hiroshi Zaizen	2	2	100%

Remuneration Committee

The Remuneration Committee was established in September 2005 with specific written terms of reference which set out its role and function and is constituted by one executive director, namely, Dr. Wu Mei Yung, Quinly *(Chairman of the Remuneration Committee)* and 2 independent non-executive directors, namely, Ms. Leung Mei Han and Mr. Chan Yuk Sang, Peter.

The duties and responsibilities of the Remuneration Committee include, inter alia, the following:

(a) to review and consider the management recommendations and the Company's policy, procedures and structure for the remuneration and other remuneration related matters for directors and senior management to ensure there shall be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors;

(b) to have the delegated responsibility to determine the specific remuneration package of all executive directors and senior management, and make recommendations to the Board on the remuneration of non-executive directors;

(c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment;

THE BOARD (continued)

Board Committees (continued)

Remuneration Committee (continued)

The duties and responsibilities of the Remuneration Committee include, inter alia, the following: (continued)

(e) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct;

(f) to ensure that no director or any of his/her associates is involved in deciding his/her own remuneration; and

(g) to advise shareholders on how to vote with respect to any service contracts of directors that requires shareholders' approval under the Listing Rules.

The Remuneration Committee had convened one meeting during the year to review, inter alia, the Group's remuneration policy and structure, and the remuneration of all directors for the year under review. Details of the emoluments of each director of the Company are set out in note 8 to the financial statements.

The attendance records of the Remuneration Committee during the year are set out below:

Name of the committee members	No. of Remuneration Committee Meetings	No. of attendance	Average attendance rate
Executive directors			
Wu Mei Yung, Quinly			
(Chairman of the Remuneration Committee)	1	1	100%
Independent non-executive directors			
Leung Mei Han	1	1	100%
Chan Yuk Sang, Peter	1	1	100%

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by directors of the Company (the "Code of Conduct"). Having made specific enquiry of all directors of the Company, the directors have confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct throughout the year ended 31 March 2008.

The Company has also established the Code for Securities Transaction by the Relevant Employees (the "Employees Code") on no less exacting terms than the Model Code for securities transactions by the employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Code by the employees was noted by the Company.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2008. In preparing the financial statements for the year ended 31 March 2008, appropriate accounting principles and policies are selected and applied consistently; judgments and estimates made are appropriate and reasonable; and these financial statements have been prepared on a going concern basis.

The senior management of the Company provides the Board with such information and explanations as necessary to enable the Board to make an informed assessment of the financial information and position of the Company put before the Board for approval.

The Board is also responsible for presenting a balanced, clear and understandable assessment extends to both annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules.

The responsibilities of the Company's external auditors, Messrs. Ernst & Young ("E&Y"), are set out in the Independent Auditors' Report on pages 36 to 37 of this Annual Report.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

External Auditors' Remuneration

E&Y have been re-appointed as the Company's external auditors by shareholders at the 2007 annual general meeting until the conclusion of the next annual general meeting. They are primarily responsible for providing audit services in connection with the financial statements for the year ended 31 March 2008.

For the year ended 31 March 2008, E&Y received approximately HK$1,950,000 (2007: HK$1,775,000) for audit and related services and HK$233,000 (2007: HK$255,000) for other non-audit services which include the taxation services.

INTERNAL CONTROLS

The Board is responsible for the system of internal controls and reviewing its effectiveness. The system has been designed to manage the risk of failure to achieve corporate objectives rather than eliminate the risk of failure to achieve the business objective. Therefore, it can only provide reasonable but not absolute assurance against material misstatement, loss or fraud. The Board has delegated to the management the implementation of the strategies and policies on internal controls and risk management adopted by the Board and the review of relevant financial, operational and compliance controls and risk management procedures.

During the year under review, the Board has reviewed the effectiveness of the internal controls of the Group and is generally satisfied as to their adequacy, based on the information furnished to it and on its own observations.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars.

The Company maintains a website at www.fourseasgroup.com.hk as a communication platform with shareholders and investors, where information and updates on the Company's announcements, business developments/operations and other information are available for public access.

The Company's annual general meeting provides a forum for communication between the Board and the shareholders. The Chairman of the Board and Board committees actively participate in the annual general meeting and answer questions from the shareholders. Separate resolutions are proposed for each substantial issue at the annual general meeting. Notice of the annual general meeting together with related papers are sent to the shareholders at least 21 calendar days before the meeting, setting out details of each proposed resolution, voting procedures and other relevant information. The procedures for demanding and conducting a poll are explained during the meeting.

ERNST & YOUNG
安 永

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To the shareholders of Four Seas Mercantile Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Four Seas Mercantile Holdings Limited set out on pages 38 to 133, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

To the shareholders of Four Seas Mercantile Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

AUDITORS' RESPONSIBILITY (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong, 18 July 2008

Consolidated Income Statement

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	5	**2,096,535**	1,875,515
Cost of sales		**(1,536,773)**	(1,322,133)
Gross profit		**559,762**	553,382
Other income and gains	5	**57,496**	52,295
Selling and distribution expenses		**(318,899)**	(312,843)
Administrative expenses		**(173,656)**	(143,913)
Other operating expenses		**(6,964)**	(7,532)
Finance costs	6	**(23,690)**	(28,275)
Share of profits and losses of associates		**18,477**	16,897
PROFIT BEFORE TAX	7	**112,526**	130,011
Tax	10	**(26,350)**	(19,251)
PROFIT FOR THE YEAR		**86,176**	110,760
Attributable to:			
Equity holders of the parent	11	**81,172**	106,419
Minority interests		**5,004**	4,341
		86,176	110,760
DIVIDENDS	12		
Interim		**7,991**	7,991
Proposed final		**19,978**	19,978
		27,969	27,969
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT – Basic	13	**20.3 cents**	26.6 cents

Consolidated Balance Sheet

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**413,092**	303,323
Investment property	15	**14,984**	11,633
Prepaid land lease payments	16	**126,833**	123,061
Goodwill	17	**26,809**	26,809
Non-current livestock	18	**1,896**	3,527
Interests in associates	20	**189,172**	169,693
Available-for-sale investments	21	**56,803**	29,573
Deposits	25	**17,498**	12,985
Deferred tax assets	29	**1,491**	2,717
Total non-current assets		**848,578**	683,321
CURRENT ASSETS			
Due from associates	20	**3,637**	193
Current livestock	22	**3,392**	2,937
Inventories	23	**139,377**	117,144
Trade receivables	24	**413,018**	377,130
Prepayments, deposits and other receivables	25	**83,989**	68,329
Tax recoverable		**4,450**	7,256
Cash and cash equivalents	26	**443,701**	360,998
Total current assets		**1,091,564**	933,987
CURRENT LIABILITIES			
Trade payables, other payables and accruals	27	**258,349**	220,055
Interest-bearing bank borrowings	28	**667,511**	451,558
Tax payable		**18,079**	8,865
Total current liabilities		**943,939**	680,478
NET CURRENT ASSETS		**147,625**	253,509
TOTAL ASSETS LESS CURRENT LIABILITIES		**996,203**	936,830
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	**74,437**	90,552
Deferred tax liabilities	29	**17,470**	17,394
Total non-current liabilities		**91,907**	107,946
Net assets		**904,296**	828,884

Consolidated Balance Sheet (continued)

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*30*	**39,956**	39,956
Reserves	*32(a)*	**812,014**	738,607
Proposed final dividend	*12*	**19,978**	19,978
		871,948	798,541
Minority interests		**32,348**	30,343
Total equity		**904,296**	828,884

TAI Tak Fung, Stephen
Director

YIP Wai Keung
Director

Year ended 31 March 2008

	Notes	Attributable to equity holders of the parent											
		Issued capital HK$'000	Share premium account HK$'000 (Note 32(a))	Reserve fund HK$'000 (Note 32(a))	Revaluation reserve HK$'000	Capital reserve HK$'000 (Note 32(a))	Available-for-sale investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2006		39,956	240,190	2,925	25,601	750	998	6,130	367,233	19,978	703,761	26,699	730,460
Changes in fair value of available-for-sale investments		–	–	–	–	–	2,178	–	–	–	2,178	–	2,178
Exchange realignment		–	–	–	–	–	–	13,944	–	–	13,944	1,165	15,109
Total income and expense for the year recognised directly in equity		–	–	–	–	–	2,178	13,944	–	–	16,122	1,165	17,287
Profit for the year		–	–	–	–	–	–	–	106,419	–	106,419	4,341	110,760
Total income and expense for the year		–	–	–	–	–	2,178	13,944	106,419	–	122,541	5,506	128,047
Acquisition of a subsidiary	33	–	–	–	–	–	–	–	–	–	–	348	348
Capital contribution by minority shareholders		–	–	–	–	–	–	–	–	–	–	250	250
Acquisition of a minority interest		–	–	–	–	–	–	–	–	–	–	(411)	(411)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	(2,049)	(2,049)
Final 2006 dividend declared		–	–	–	–	–	–	–	–	(19,978)	(19,978)	–	(19,978)
Transfer to the income statement on disposals		–	–	–	–	–	208	–	–	–	208	–	208
Interim 2007 dividend	12	–	–	–	–	–	–	–	(7,991)	–	(7,991)	–	(7,991)
Proposed final 2007 dividend	12	–	–	–	–	–	–	–	(19,978)	19,978	–	–	–
Transfer to reserve fund		–	–	1,228	–	–	–	–	(1,228)	–	–	–	–
At 31 March 2007		39,956	240,190	4,153	25,601	750	3,384	20,074	444,455	19,978	798,541	30,343	828,884

Year ended 31 March 2008

	Notes	Issued capital HK$'000	Share premium account HK$'000 (Note 32(a))	Reserve fund HK$'000 (Note 32(a))	Revaluation reserve HK$'000	Capital reserve HK$'000 (Note 32(a))	Available-for-sale investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
		Attributable to equity holders of the parent											
At 1 April 2007		39,956	240,190	4,153	25,601	750	3,384	20,074	444,455	19,978	798,541	30,343	828,884
Changes in fair value of available-for-sale investments		–	–	–	–	–	10,927	–	–	–	10,927	–	10,927
Revaluation on property, plant and equipment		–	–	–	407	–	–	–	–	–	407	–	407
Exchange realignment		–	–	–	–	–	–	37,572	–	–	37,572	2,748	40,320
Transfer to the income statement on disposals		–	–	–	–	–	(28,702)	–	–	–	(28,702)	–	(28,702)
Total income and expense for the year recognised directly in equity		–	–	–	407	–	(17,775)	37,572	–	–	20,204	2,748	22,952
Profit for the year		–	–	–	–	–	–	–	81,172	–	81,172	5,004	86,176
Total income and expense for the year		–	–	–	407	–	(17,775)	37,572	81,172	–	101,376	7,752	109,128
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	(5,747)	(5,747)
Final 2007 dividend declared		–	–	–	–	–	–	–	–	(19,978)	(19,978)	–	(19,978)
Interim 2008 dividend	12	–	–	–	–	–	–	–	(7,991)	–	(7,991)	–	(7,991)
Proposed final 2008 dividend	12	–	–	–	–	–	–	–	(19,978)	19,978	–	–	–
Transfer of reserve fund to retained profits		–	–	(268)	–	–	–	–	268	–	–	–	–
At 31 March 2008		39,956	240,190 *	3,885 *	26,008 *	750 *	(14,391)*	57,646 *	497,926 *	19,978	871,948	32,348	904,296

* These reserve accounts comprise the consolidated reserves of HK$812,014,000 (2007: HK$738,607,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		112,526	130,011
Adjustments for:			
Finance costs	6	23,690	28,275
Share of profits and losses of associates		(18,477)	(16,897)
Bank interest income	5	(9,666)	(15,378)
Dividend income from listed investments	5	(506)	(515)
Fair value gains on available-for-sale investments	5	(28,702)	(11,542)
Fair value gains on equity investments at fair value through profit or loss	5	(244)	(2,303)
Loss on disposal of items of property, plant and equipment	7	1,365	98
Depreciation	7	33,130	27,948
Recognition of prepaid land lease payments	16	3,457	1,786
Amortisation of non-current livestock	7	1,454	1,212
Impairment of goodwill	7	–	1,350
Impairment of trade receivables	7	632	3,659
Provision for slow-moving inventories	7	2,476	1,439
Change in fair value of an investment property	7	77	–
		121,212	149,143
Decrease/(increase) in non-current livestock		440	(344)
Increase in amounts due from associates		(3,444)	(63)
Increase in current livestock		(455)	(343)
Increase in inventories		(24,540)	(12,376)
Increase in trade receivables		(36,520)	(23,590)
Increase in prepayments, deposits and other receivables		(19,961)	(9,609)
Increase in trade payables, other payables and accruals		44,429	4,026
Cash generated from operations		81,161	106,844
Hong Kong profits tax paid		(8,464)	(21,298)
Other taxes paid		(5,029)	(1,698)
Net cash inflow from operating activities – page 44		67,668	83,848

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Net cash inflow from operating activities – page 43		67,668	83,848
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		9,666	15,378
Dividends received from listed investments		506	515
Dividends received from associates		5,183	3,562
Purchases of items of property, plant and equipment	14	(130,861)	(47,430)
Purchases of prepaid land lease payments		–	(6,173)
Proceeds from disposal of items of property, plant and equipment		42	4,067
Proceeds from disposal of available-for-sale investments		1,826	34,610
Proceeds from disposal of equity investments at fair value through profit or loss		47,920	9,073
Acquisition of a subsidiary	33	–	(46,127)
Acquisition of minority interests		–	(750)
Acquisition of available-for-sale investments		(1,582)	(32,057)
Acquisition of equity investments at fair value through profit or loss		(64,165)	(6,770)
Net cash outflow from investing activities		(131,465)	(72,102)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and trust receipt loans		1,425,226	1,470,128
Repayment of bank and trust receipt loans		(1,227,700)	(1,519,422)
Interest paid		(23,690)	(28,275)
Capital contribution by minority interests		–	250
Dividends paid		(27,969)	(27,969)
Dividends paid to minority shareholders		(5,747)	(2,049)
Net cash inflow/(outflow) from financing activities		140,120	(107,337)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		76,323	(95,591)
Cash and cash equivalents at beginning of year		360,998	454,291
Effect of foreign exchange rate changes, net		6,380	2,298
CASH AND CASH EQUIVALENTS AT END OF YEAR		443,701	360,998
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	167,540	137,254
Time deposits with original maturity of less than three months when acquired	26	276,161	223,744
		443,701	360,998

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	93,098	93,098
Available-for-sale investments	21	222	192
Total non-current assets		93,320	93,290
CURRENT ASSETS			
Due from subsidiaries	19	486,166	451,160
Prepayments	25	136	136
Cash and bank balances	26	1,020	1,071
Total current assets		487,322	452,367
CURRENT LIABILITIES			
Due to subsidiaries	19	235,452	200,253
Accruals	27	1,206	1,125
Total current liabilities		236,658	201,378
NET CURRENT ASSETS		250,664	250,989
Net assets		343,984	344,279
EQUITY			
Issued capital	30	39,956	39,956
Reserves	32(b)	284,050	284,345
Proposed final dividend	12	19,978	19,978
Total equity		343,984	344,279

TAI Tak Fung, Stephen
Director

YIP Wai Keung
Director

1. CORPORATE INFORMATION

Four Seas Mercantile Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at the offices of Caledonian Bank & Trust Limited, Caledonian House, 69 Dr. Roy's Drive, P.O. Box 1043 KY1-1102, George Town, Grand Cayman, Cayman Islands, British West Indies.

During the year, the Group's principal activities consisted of manufacturing and trading of snack foods, confectionery, beverages, frozen food products, noodles, poultry products, ham and ham-related products, and the operations of restaurants.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain non-current livestock, an investment property, certain properties and certain equity investments, which have been measured at valuation or fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of a subsidiary during the year ended 31 March 2007 was accounted for using the purchase method of accounting. This method involved allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition was measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisition of a minority interest during the year ended 31 March 2007 was accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired was recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
HK(IFRIC)-Int 8	*Scope of HKFRS 2*
HK(IFRIC)-Int 9	*Reassessment of Embedded Derivatives*
HK(IFRIC)-Int 10	*Interim Financial Reporting and Impairment*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 39 to the financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 April 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

(f) HK(IFRIC)-Int 11 HKFRS 2 – *Group and Treasury Share Transactions*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group has no such transactions, the interpretation has had no impact on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 2 Amendments	*Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statement* [2]
HKAS 32 and HKAS 1 Amendments	*HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HK(IFRIC)-Int 12	*Service Concession Arrangements* [4]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* [4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2008

The amendments to HKFRS 2 restrict the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The revised HKFRS 3 introduces a number of changes in the accounting for business combinations that will have impact on the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. The revised HKAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised HKFRS 3 and the revised HKAS 27 must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 April 2009.

HKAS 1 has been revised to separate owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. This standard also introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expenses, either in one single statement, or in two linked statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group has no such arrangements, the revised standard is unlikely to have any financial impact on the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The amendments to HKAS 32 and HKAS 1 allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. As the Group currently has no such financial instruments, the amendments are unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill previously eliminated against consolidated reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in the year ended 31 March 2002, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates, after reassessment, is recognised immediately in the income statement.

The excess for associates is included in the Group's share of the associates' profits or losses in the period in which the investments are acquired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, biological assets, financial assets, an investment property and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	2% - 10%
Leasehold improvements	10% - 20%
Furniture, fixtures and equipment	10% - 25%
Plant and machinery	10% - 20%
Motor vehicles	15% - 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment property when completed and ready for use.

Investment property

An investment property is an interest in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment property is stated at fair value, which reflects market conditions at the balance sheet date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property (continued)

Gains or losses arising from changes in the fair values of the investment property are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of the investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from investment property to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include the financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities and club debenture that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, the fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables and amounts due from associates, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or ''prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing bank borrowings)

Financial liabilities including trade and other payables, amounts due to subsidiaries and interest-bearing bank borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Derivative financial instruments

The Group invests in certain derivative financial instruments such as currency-linked deposits to enhance its investment return. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. They are classified as financial assets at fair value through profit or loss. Any gains or losses arising from changes in fair value are taken directly to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Livestock

Livestock are stated at fair value less estimated point-of-sale costs, except where the fair value cannot be measured reliably, in which case they are stated at cost less accumulated amortisation and any impairment losses. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit.

Net increments or decrements in the fair value of livestock are included in the income statement, and are determined as:

(a) the difference between the total fair value of the livestock recognised at the beginning of the financial year and the total fair value of the livestock recognised at the end of the financial year; and

(b) the costs incurred, during the financial year the livestock are acquired and bred.

Non-current livestock, which are stated at cost less accumulated amortisation and any impairment losses, represent breeder peafowl and are amortised over ten years using the sum-of-digits method.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. In the case of work in progress and self-produced finished goods, cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(c) dividend income, when the shareholders' right to receive payment has been established;

(d) management fee income, in the period in which services are rendered; and

(e) rental income, on a time proportion basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 8% to 22% of the payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model or the Black-Scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of the equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2008 was HK$26,809,000 (2007: HK$26,809,000).

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2008 was HK$517,000 (2007: HK$1,794,000). The amounts of unrecognised tax losses for subsidiaries situated in Hong Kong and Mainland China at 31 March 2008 were HK$86,895,000 (2007: HK$83,197,000) and HK$71,244,000 (2007: HK$39,321,000), respectively. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Further details are contained in note 29 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. At 31 March 2008, no impairment losses have been recognised for available-for-sale financial assets (2007: Nil) and the carrying amount of available-for-sale financial assets was HK$56,803,000 (2007: HK$29,573,000) as at the balance sheet date.

Impairment of trade receivables, prepayments, deposits and other receivables

The Group conducts impairment reviews of financial assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with the relevant accounting standards. Determining whether an asset is impaired requires an estimation of the future cash flows and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. At 31 March 2008, a provision for impairment loss of trade receivables of HK$1,457,000 (2007: HK$3,565,000) has been made and the carrying amounts of trade receivables were HK$414,475,000 (2007: HK$380,695,000). At 31 March 2008, the carrying amounts of prepayments, deposits and other receivables were HK$101,487,000 (2007: HK$81,314,000) and no provision for impairment loss was made.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

In determining the Group's geographical segments, revenues, results and assets are attributed to the segments based on the location of the customers. Summary details of the geographical segments are as follows:

(i) the Hong Kong segment is engaged in the manufacturing and trading of snack foods, confectionery, beverages, frozen food products, ham and ham-related products and the retailing of snack foods, confectionery and beverages, and the operations of restaurants; and

(ii) the Mainland China segment is engaged in the manufacturing and trading of snack foods, confectionery, beverages, frozen food products, poultry products, and ham and ham-related products, and the operations of restaurants.

In determining the Group's business segments, revenue and results are attributed to the segments based on the nature of their operations.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION (continued)

(a) Geographical segments

The following tables present revenue, profit/(loss) and certain assets, liabilities and expenditure information for the Group's geographical segments for the years ended 31 March 2008 and 2007.

Group

	Hong Kong		Mainland China		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	1,325,233	1,235,513	771,302	640,002	–	–	2,096,535	1,875,515
Intersegment sales	2,957	4,361	92,757	100,227	(95,714)	(104,588)	–	–
Other revenue	5,212	2,637	3,357	2,114	(571)	(575)	7,998	4,176
Total	1,333,402	1,242,511	867,416	742,343	(96,285)	(105,163)	2,104,533	1,879,691
Segment results	93,364	93,627	(13,948)	14,075	–	–	79,416	107,702
Interest and dividend income and unallocated gains, net							49,498	48,119
Unallocated expenses							(11,175)	(14,432)
Finance costs							(23,690)	(28,275)
Share of profits and losses of associates	16,938	14,011	1,539	2,886	–	–	18,477	16,897
Profit before tax							112,526	130,011
Tax							(26,350)	(19,251)
Profit for the year							86,176	110,760

4. SEGMENT INFORMATION (continued)

(a) Geographical segments (continued)

Group

	Hong Kong		Mainland China		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities						
Segment assets	775,305	677,051	526,023	399,593	1,301,328	1,076,644
Interests in associates	113,947	99,676	75,225	70,017	189,172	169,693
Unallocated assets					449,642	370,971
Total assets					1,940,142	1,617,308
Segment liabilities	148,475	126,810	109,874	93,245	258,349	220,055
Unallocated liabilities					777,497	568,369
Total liabilities					1,035,846	788,424
Other segment information:						
Capital expenditure	17,069	27,509	113,792	26,094	130,861	53,603
Depreciation	13,806	11,959	19,324	15,989	33,130	27,948
Impairment of goodwill	–	190	–	1,160	–	1,350
Impairment of trade receivables	352	3,121	280	538	632	3,659
Provision/(write-back of provision) for slow-moving inventories	(387)	70	2,863	1,369	2,476	1,439
Change in fair value of an investment property	–	–	77	–	77	–

4. SEGMENT INFORMATION (continued)

(b) Business segments

The following table presents revenue and certain assets and expenditure information for the Group's business segments for the years ended 31 March 2008 and 2007.

Group

	Manufacturing and wholesaling		Retailing		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	1,616,606	1,489,305	202,185	186,545	277,744	199,665	2,096,535	1,875,515
Other segment information:								
Segment assets	1,058,112	915,623	33,660	32,837	209,556	128,184	1,301,328	1,076,644
Capital expenditure	37,081	30,391	3,934	6,835	89,846	16,377	130,861	53,603

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of discounts and returns. An analysis of revenue, other income and gains, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Revenue	**2,096,535**	1,875,515
Other income		
Bank interest income	**9,666**	15,378
Dividend income from listed available-for-sale investments	**506**	515
Management fee income	**515**	603
Rental income	**1,037**	275
Others	**6,446**	3,298
	18,170	20,069
Gains		
Investment gains*	**10,380**	18,381
Fair value gains on available-for-sale investments (transfer from equity on disposal)	**28,702**	11,542
Fair value gains on equity investments at fair value through profit or loss	**244**	2,303
	39,326	32,226
	57,496	52,295

* Investment gains comprise net gain from currency-linked deposits of HK$4,060,000 (2007: HK$12,970,000) and net exchange gain on cash and cash equivalents of HK$6,320,000 (2007: HK$5,411,000).

6. FINANCE COSTS

	Group 2008 HK$'000	Group 2007 HK$'000
Interest on bank and trust receipt loans wholly repayable within five years	23,690	28,275

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**Group 2008** *HK$'000*	Group 2007 *HK$'000*
Cost of inventories sold		1,534,297	1,320,694
Depreciation	*14*	33,130	27,948
Amortisation of non-current livestock	*18*	1,454	1,212
Impairment of goodwill*		–	1,350
Minimum lease payments under operating leases in respect of land and buildings		86,626	81,747
Auditors' remuneration		2,334	2,057
Employee benefits expense (excluding directors' remuneration *(note 8)*):			
Wages, salaries, allowances and benefits in kind		186,544	173,741
Pension scheme contributions		8,374	5,993
Less: Forfeited contributions		(143)	(89)
Net pension scheme contributions**		8,231	5,904
		194,775	179,645
Change in fair value of an investment property		77	–
Loss on disposal of items of property, plant and equipment		1,365	98
Foreign exchange differences, net		16,835	(17,341)
Net rental income		(1,037)	(275)
Impairment of trade receivables*		632	3,659
Provision for slow-moving inventories***		2,476	1,439

7. PROFIT BEFORE TAX (continued)

* The impairment of trade receivables and goodwill are included in "Other operating expenses" on the face of the consolidated income statement.

** At 31 March 2008, the Group had no forfeited contributions (2007: Nil) available to reduce its contributions to the pension schemes in future years.

*** The provision for slow-moving inventories is included in "Cost of sales" on the face of the consolidated income statement.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Fees	**707**	739
Other emoluments:		
Salaries, allowances and benefits in kind	**8,099**	7,420
Pension scheme contributions	**189**	173
	8,288	7,593
	8,995	8,332

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2008	2007
	HK$'000	*HK$'000*
Leung Mei Han	80	80
Chan Yuk Sang, Peter	80	80
Hiroshi Zaizen	80	59
	240	219

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2008				
Tai Tak Fung, Stephen	80	3,960	4	4,044
Wu Mei Yung, Quinly	80	1,090	58	1,228
Man Wing Cheung, Ellis	80	–	4	84
Yip Wai Keung	80	679	36	795
Wu Wing Biu	80	648	35	763
Chan Siu Ling, Doris	67	1,722	52	1,841
	467	8,099	189	8,755

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors (continued)

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2007				
Tai Tak Fung, Stephen	120	3,360	–	3,480
Wu Mei Yung, Quinly	80	960	52	1,092
Man Wing Cheung, Ellis	80	–	–	80
Yip Wai Keung	80	551	31	662
Wu Wing Biu	80	647	31	758
Chan Siu Ling, Doris	80	1,902	59	2,041
	520	7,420	173	8,113

Included in the executive directors' remuneration is an estimated rental of HK$3,960,000 (2007: HK$3,360,000) for a director's quarter owned by the Group.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2007: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2007: two) non-director, highest paid employees for the year are as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,402**	2,334
Pension scheme contributions	**12**	45
	2,414	2,379

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2008	2007
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1
	2	2

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

10. TAX (continued)

	Group 2008 HK$'000	Group 2007 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**19,985**	14,718
Underprovision/(overprovision) in prior years	**(116)**	10
Current – Elsewhere		
Charge for the year	**5,179**	3,492
Deferred *(note 29)*	**1,302**	1,031
Total tax charge for the year	**26,350**	19,251

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Group			
	2008		2007	
	HK$'000	***%***	*HK$'000*	*%*
Profit before tax	**112,526**		130,011	
Tax at applicable tax rate	**19,704**	**17.5**	22,175	17.1
Adjustments in respect of current tax of previous periods	**(116)**	**(0.1)**	10	–
Profits and losses attributable to associates	**(3,233)**	**(2.9)**	(2,957)	(2.3)
Income not subject to tax	**(4,691)**	**(4.2)**	(5,736)	(4.4)
Expenses not deductible for tax	**1,593**	**1.4**	1,746	1.3
Tax losses utilised from previous periods	**(500)**	**(0.4)**	(612)	(0.4)
Deferred tax assets not recognised	**13,801**	**12.3**	3,691	2.8
Others	**(208)**	**(0.2)**	934	0.7
Tax charge at the Group's effective rate	**26,350**	**23.4**	19,251	14.8

10. TAX (continued)

The share of tax attributable to associates amounting to HK$3,555,000 (2007: HK$2,928,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

Under the People's Republic of China (the "PRC") income tax laws, enterprises are subject to corporate income tax ("CIT") at the rate of 33%. However, certain of the Group's subsidiaries and associates are operating in specific development zones in Mainland China, and the relevant authorities have granted these subsidiaries preferential rates ranging from 15% to 24%.

In addition to preferential CIT rates granted to the Group's certain subsidiaries in Mainland China, tax holidays were also granted by the relevant authorities to these subsidiaries, whereby CIT is exempted for the first two profitable years of the subsidiaries and is chargeable at half of the applicable rates for the subsequent three years.

During the 5th Session of 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New CIT Law") was approved, and it became effective on 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Therefore, the applicable income tax rate of the Group's subsidiaries and associates in Mainland China became 25% according to the New CIT Law starting from 1 January 2008.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 March 2008 includes a profit of HK$27,644,000 (2007: HK$31,546,000) which has been dealt with in the financial statements of the Company (note 32(b)).

12. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Interim of HK2.0 cents (2007: HK2.0 cents) per ordinary share	**7,991**	7,991
Proposed final dividend of HK5.0 cents (2007: HK5.0 cents) per ordinary share	**19,978**	19,978
	27,969	27,969

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent of HK$81,172,000 (2007: HK$106,419,000), and on the 399,565,640 (2007: 399,565,640) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 March 2008 and 2007 have not been disclosed as no diluting events existed during these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2008							
At 31 March 2007 and at 1 April 2007:							
Cost or valuation	236,884	42,492	60,303	119,591	32,689	2,827	494,786
Accumulated depreciation	(41,465)	(16,281)	(48,071)	(63,183)	(22,463)	–	(191,463)
Net carrying amount	195,419	26,211	12,232	56,408	10,226	2,827	303,323
At 1 April 2007, net of accumulated depreciation	195,419	26,211	12,232	56,408	10,226	2,827	303,323
Additions	35,324	18,425	15,174	4,715	4,391	52,832	130,861
Disposals	(166)	(667)	(334)	(78)	(71)	(91)	(1,407)
Depreciation provided during the year	(9,048)	(7,744)	(4,412)	(8,810)	(3,116)	–	(33,130)
Transfers	26,294	–	–	–	–	(26,294)	–
Transfer to investment property	(1,850)	–	–	–	–	–	(1,850)
Exchange realignment	7,538	1,465	510	4,869	636	277	15,295
At 31 March 2008, net of accumulated depreciation	253,511	37,690	23,170	57,104	12,066	29,551	413,092
At 31 March 2008:							
Cost or valuation	305,533	59,312	70,871	133,617	36,201	29,551	635,085
Accumulated depreciation	(52,022)	(21,622)	(47,701)	(76,513)	(24,135)	–	(221,993)
Net carrying amount	253,511	37,690	23,170	57,104	12,066	29,551	413,092
Analysis of cost or valuation:							
At cost	220,533	59,312	70,871	133,617	36,201	29,551	550,085
At 31 March 1994 valuation	85,000	–	–	–	–	–	85,000
	305,533	59,312	70,871	133,617	36,201	29,551	635,085

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2007							
At 1 April 2006:							
Cost or valuation	167,437	31,318	55,409	103,141	27,287	32,867	417,459
Accumulated depreciation	(34,009)	(10,604)	(44,808)	(49,417)	(21,138)	–	(159,976)
Net carrying amount	133,428	20,714	10,601	53,724	6,149	32,867	257,483
At 1 April 2006, net of accumulated depreciation	133,428	20,714	10,601	53,724	6,149	32,867	257,483
Additions	9,718	8,259	5,680	6,604	6,399	10,770	47,430
Acquisition of a subsidiary (note 33)	18,665	3,723	18	1,572	65	–	24,043
Disposals	(2,767)	(575)	(426)	(177)	(220)	–	(4,165)
Depreciation provided during the year	(7,611)	(6,494)	(3,861)	(7,626)	(2,356)	–	(27,948)
Transfers	40,970	–	–	–	–	(40,970)	–
Exchange realignment	3,016	584	220	2,311	189	160	6,480
At 31 March 2007, net of accumulated depreciation	195,419	26,211	12,232	56,408	10,226	2,827	303,323
At 31 March 2007:							
Cost or valuation	236,884	42,492	60,303	119,591	32,689	2,827	494,786
Accumulated depreciation	(41,465)	(16,281)	(48,071)	(63,183)	(22,463)	–	(191,463)
Net carrying amount	195,419	26,211	12,232	56,408	10,226	2,827	303,323
Analysis of cost or valuation:							
At cost	151,884	42,492	60,303	119,591	32,689	2,827	409,786
At 31 March 1994 valuation	85,000	–	–	–	–	–	85,000
	236,884	42,492	60,303	119,591	32,689	2,827	494,786

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's leasehold land and buildings included above are held under medium term leases and are situated in:

	At cost	At valuation	Total
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	76,563	85,000	161,563
Mainland China	143,970	–	143,970
	220,533	85,000	305,533

Certain of the Group's buildings, which are situated in Hong Kong, were revalued at 15 July 1993, by C.Y. Leung & Company Limited, independent professionally qualified valuers. The leasehold land and buildings were revalued at open market value, based on their existing use. Since the year ended 31 March 1994, no further revaluations of the Group's leasehold land and buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions in paragraph 80A of HKAS 16 from the requirement to carry out future revaluations of its property, plant and equipment which were stated at valuation at that time.

Had the whole class of leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$229,244,000 (2007: HK$170,525,000).

At 31 March 2008, certain buildings of a non-wholly-owned subsidiary with a net book value of approximately HK$3,174,000 were pledged to secure general banking facilities granted to that non-wholly-owned subsidiary (note 28).

15. INVESTMENT PROPERTY

	Group	
	2008	2007
	HK$'000	*HK$'000*
Carrying amount at 1 April	**11,633**	11,131
Transfer from owner-occupied property	**2,257**	–
Transfer from prepaid land lease payments *(note 16)*	**44**	–
Net loss from change in fair value adjustment	**(77)**	–
Exchange realignment	**1,127**	502
Carrying amount at 31 March	**14,984**	11,633

The Group's investment property is situated in Mainland China and is held under a medium term lease.

The Group's investment property was revalued on 31 March 2008 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at RMB13,500,000 (equivalent to HK$14,984,000) on an open market, existing use basis. The investment property is leased to an associate of the Group under an operating lease, further summary details of which are included in notes 35(a) and 37(a)(iv) to the financial statements.

Further particulars of the Group's investment property are included on page 134.

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Carrying amount at 1 April	**126,443**	75,859
Additions during the year	**–**	6,173
Acquisition of a subsidiary *(note 33)*	**–**	43,929
Recognised during the year	**(3,457)**	(1,786)
Transfer to investment property *(note 15)*	**(44)**	–
Exchange realignment	**7,485**	2,268
Carrying amount at 31 March	**130,427**	126,443
Current portion included in prepayments, deposits and other receivables	**(3,594)**	(3,382)
Non-current portion	**126,833**	123,061

The Group's prepaid land lease payments included above relate to leasehold land which are held under medium term leases and are situated in:

	2008
	HK$'000
Hong Kong	46,878
Mainland China	83,549
	130,427

During the year ended 31 March 2007, the Group acquired 廣州市泮溪酒家有限公司 ("GZ Panxi"). GZ Panxi operates restaurants on a piece of land (the "Land") in Liwan District, Guangzhou, the PRC, with a carrying value of HK$47,641,000 (2007: HK$45,013,000) at 31 March 2008. In the opinion of the directors, based on the advice from the Group's external legal advisors obtained during the year ended 31 March 2007, GZ Panxi has the right to use the Land and occupy the buildings for its restaurant operation, and upon the payment of the land premium for the Land, the Group can obtain the land use right certificate for the Land. At the date of this report, GZ Panxi is planning to obtain the land use right certificate and the cost of land premium has been properly provided for in these financial statements.

Further particulars of the acquisition of GZ Panxi are set out in note 33 to the financial statements.

At 31 March 2008, certain leasehold land of a non-wholly-owned subsidiary with a net book value of approximately HK$1,913,000 were pledged to secure general banking facilities granted to that non-wholly-owned subsidiary (note 28).

17. GOODWILL

	Group
	HK$'000
At 1 April 2006:	
Cost	17,715
Accumulated impairment	–
Net carrying amount	17,715
Cost at 1 April 2006	17,715
Acquisition of a subsidiary *(note 33)*	10,105
Acquisition of an additional interest in a subsidiary	339
Impairment of goodwill	(1,350)
At 31 March 2007	26,809
At 31 March 2007, 1 April 2007 and 31 March 2008:	
Cost	28,159
Accumulated impairment	(1,350)
Net carrying amount	26,809

18. NON-CURRENT LIVESTOCK

	Group	
	2008	2007
	HK$'000	*HK$'000*
Livestock:		
At fair value	**504**	852
At cost less accumulated amortisation and any impairment losses	**1,392**	2,675
	1,896	3,527
Physical quantity of peafowl:		
Number of day-old peafowl	**4,203**	7,875
Number of breeder peafowl	**6,988**	6,988
	11,191	14,863

The Group's non-current livestock comprises breeder and day-old peafowls owned by a subsidiary. The day-old peafowls are raised for sale. The breeder peafowls are held to produce further day-old peafowls. Breeder peafowls are stated at cost less accumulated amortisation and any impairment losses as no active or ready markets exist for these breeder peafowls and their fair values cannot be measured reliably. Day-old peafowls are valued at fair value less estimated point-of-sale costs.

18. NON-CURRENT LIVESTOCK (continued)

	Group
	HK$'000
Reconciliation of changes in the carrying amount:	
Balance at 1 April 2006, net of accumulated amortisation and impairment losses	4,245
Amortisation of non-current livestock	(1,212)
Increase due to raising	344
Exchange realignment	150
Balance at 31 March 2007 and 1 April 2007, net of accumulated amortisation and impairment losses	3,527
Amortisation of non-current livestock	(1,454)
Decrease due to harvest	(440)
Exchange realignment	263
Balance at 31 March 2008, net of accumulated amortisation and impairment losses	1,896

Particulars of the gross carrying amount and the accumulated amortisation of breeder peafowls, which are stated at cost less accumulated amortisation and any impairment losses, are as follows:

	Group
	HK$'000
At 31 March 2008:	
Cost	5,718
Accumulated amortisation and impairment losses	(4,326)
Net carrying amount	1,392
At 31 March 2007:	
Cost	5,212
Accumulated amortisation and impairment losses	(2,537)
Net carrying amount	2,675

19. INVESTMENTS IN SUBSIDIARIES

	Company 2008 HK$'000	Company 2007 HK$'000
Unlisted shares, at cost	**93,098**	93,098

The amounts due from/to subsidiaries included in the Company's current assets and current liabilities respectively are unsecured, interest-free and repayable on demand. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Abundant Capital Inc.	British Virgin Islands	US$100	–	51.0	Investment holding
Cowboy Food Company Limited	Hong Kong	HK$6,000,000	–	85.0	Manufacturing of peanut products
Crowne Profits Limited	British Virgin Islands	US$1	–	100.0	Investment holding
E-Options Technology Limited	British Virgin Islands	US$1	–	100.0	Property holding
Fancy Talent Limited*	Hong Kong	HK$100,000,000	–	100.0	Marketing of snack foods
Four Seas Enterprises (BVI) Limited	British Virgin Islands	US$20,000	100.0	–	Investment holding

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Four Seas China Holdings Limited	British Virgin Islands	US$1,000,000	–	100.0	Investment holding
Four Seas Mercantile Limited	Hong Kong	(i) Ordinary HK$200 (ii) Non-voting deferred HK$20,000,000	–	100.0	Trading in snack foods, confectionery and beverages
Four Seas Property Holdings Limited	Hong Kong	HK$50,000,000	–	100.0	Investment holding
Four Seas Confectionery (Shantou) Company Limited* ^	PRC/ Mainland China	HK$14,320,000	–	100.0	Manufacturing of cakes
Four Seas (Shantou) Foods Industrial Park Management Co., Ltd.* ^	PRC/ Mainland China	HK$30,500,000	–	100.0	Property holding
Four Seas Foods (Shantou) Co., Ltd.* ^	PRC/ Mainland China	HK$61,000,000	–	100.0	Trading in confectionery and food products
Four Seas (Hebei) Food Company Limited * ^	PRC/ Mainland China	HK$24,000,000	–	100.0	Processing of chestnuts
Four Seas Logistics Company Limited	Hong Kong	HK$200,000	–	100.0	Provision of transportation services

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Four Seas Trading (Shanghai) Co., Ltd.* ^	PRC/ Mainland China	US$200,000	–	100.0	Trading in confectionery and food products
Four Seas Catering Enterprises Company Limited	Hong Kong	HK$10,000	–	100.0	Investment holding
Four Seas Confectionery (Shenzhen) Co., Ltd.* ^	PRC/ Mainland China	HK$7,000,000	–	80.0	Manufacturing of snack foods
Gainfaith Investments Limited	British Virgin Islands	US$1	–	100.0	Investment holding
Guang Dong Fourseas Frozen Food Products Co., Ltd.* ^	PRC/ Mainland China	RMB10,300,000	–	100.0	Frozen food product business
Hakadate Investments Limited	British Virgin Islands	US$1	–	100.0	Investment holding
High Joy Investments Limited	Hong Kong	HK$1	–	100.0	Restaurant operations
Hong Kong Confectionery Company Limited	Hong Kong	HK$7,000,000	–	100.0	Investment holding

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hong Kong Ham Holdings Limited	Hong Kong	HK$20	–	100.0	Manufacturing and packaging of ham and ham-related products
Hong Kong Biscuit (International) Limited*	Hong Kong	HK$40,000,000	–	99.3	Investment holding
Homeright Properties Limited	British Virgin Islands	US$1	–	100.0	Holding of trademarks
IFSCO Hong Kong Limited	Hong Kong	HK$57,200,000	100.0	–	Investment holding
J.P. Inglis Company Limited	Hong Kong	HK$1,000,000	–	100.0	Trading in food materials
KTC Corporation*	Japan	JPY10,000,000	–	100.0	Trading in cakes
Kanro Four Seas Foods Company Limited	Hong Kong	HK$50,550,000	–	82.5	Investment holding
Kanro Four Seas Foods (Shantou) Co., Ltd.* ^	PRC/ Mainland China	HK$50,203,380	–	82.5	Manufacturing of candies
Kwong Cheung Development Limited	British Virgin Islands	US$1	–	100.0	Investment holding
Kung Tak Lam Shanghai Vegetarian Cuisine Limited	Hong Kong	HK$3,660,000	–	99.0	Restaurant operations

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Li Fook (Qingdao) Foods Co., Ltd.* ^	PRC/ Mainland China	US$3,320,000	–	100.0	Manufacturing of noodles
Luck Healthy Limited	Hong Kong	HK$1	–	100.0	Property holding
Matchless Bakery Company Limited	British Virgin Islands	HK$20,000,000	–	100.0	Investment holding
More Ways Industrial Limited	Hong Kong	HK$10,000	–	**34.0	Investment holding
New Kondo Trading Company Limited	Hong Kong	HK$1,000,000	–	100.0	Trading in Japanese food materials
Papochou Holdings Limited	British Virgin Islands	HK$15,000,000	–	100.0	Investment holding
Restaurant Shiki Limited	Hong Kong	HK$3,200,000	–	100.0	Restaurant operations
Royalstar Technology Limited	Hong Kong	HK$2	–	100.0	Car park operations
Shenzhen Matchless Food Co., Ltd.* ^	PRC/ Mainland China	HK$12,300,000	–	100.0	Bakery and factory operations

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shenzhen Yaohan Zhonghao Food Co., Ltd.* ^^	PRC/ Mainland China	RMB32,100,000	–	60.0	Manufacturing and packaging of ham and ham-related products
Sushi Pro Limited	Hong Kong	HK$9,000,000	–	#50.0	Investment holding
Shousihuang Restaurant (Shenzhen) Company Limited* ^	PRC/ Mainland China	HK$7,300,000	–	#50.0	Restaurant operations
Tohato Four Seas Company Limited	Hong Kong	HK$7,000,000	–	80.0	Investment holding
Tsun Fat (Huizhou) Biscuit Factory Limited* ^	PRC/ Mainland China	HK$13,000,000	–	99.3	Manufacturing of biscuits
T & M Advertising Company Limited	Hong Kong	HK$20	–	100.0	Advertising agency
Wide Success Holdings Limited	Hong Kong	HK$10,000	–	100.0	Restaurant operations
Yaohan (Yanwin) Food Co., Limited	Hong Kong	HK$10,000	–	100.0	Investment holding

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
新興縣多威實業有限公司* ^	PRC/ Mainland China	HK$8,000,000	–	**34.0	Poultry business
GZ Panxi* ^^^	PRC/ Mainland China	RMB8,931,620	–	##99.0	Restaurant operations
廣州市英吉利孔雀有限公司* ^	PRC/ Mainland China	RMB6,500,000	–	100.0	Raising and sale of peafowls
四洲(陽山)發展有限公司* ^	PRC/ Mainland China	HK$10,000,000	–	100.0	Property holding
上海升誠貿易有限公司* ^	PRC/ Mainland China	RMB500,000	–	100.0	Trading in confectionery and food products
東莞四洲肉類製品有限公司*^	PRC/ Mainland China	HK$24,000,000	–	100.0	Manufacturing and packaging of ham and ham-related products

19. INVESTMENTS IN SUBSIDIARIES (continued)

*	Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.
**	These subsidiaries are indirectly held by the Company and the Group has control over them.
^	These subsidiaries are registered as wholly-foreign-owned enterprises under the PRC law.
^^	This subsidiary is registered as a Sino-foreign equity joint venture under the PRC law.
^^^	This subsidiary is registered as a Sino-foreign co-operative joint venture under the PRC law.
#	The Group has a casting vote in these subsidiaries and accordingly the Group has control over them.
##	Pursuant to the stock purchase agreement entered into by the Group and 廣州市荔灣區人民政府國有資產監督管理局 (the "Vendor") for the acquisition of GZ Panxi, the Vendor retains 1% shareholding in GZ Panxi and is not entitled to any share of the profit or loss in GZ Panxi nor has the right to participate in the operation or management of GZ Panxi but has the veto right in the following:

- the alteration of the tax registration of GZ Panxi in Liwan District, Guangzhou, the PRC;
- the alteration of the use of the building occupied by GZ Panxi other than the Cantonese style restaurant operation; and
- the use of the trademark of GZ Panxi.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. INTERESTS IN ASSOCIATES

	Group 2008 HK$'000	Group 2007 HK$'000
Goodwill on acquisition	**477**	477
Share of net assets	**188,695**	169,216
	189,172	169,693

The amounts due from the associates included in the Group's current assets are unsecured, interest-free and repayable on demand. The carrying amounts of these amounts due from the associates approximate to their fair values.

The Group's trade receivable and payable balances with the associates are disclosed in notes 24 and 27 to the financial statements, respectively.

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of equity attributable to the Group	Principal activities
Calbee Four Seas Company Limited	Ordinary shares of HK$1 each	Hong Kong	50.0	Manufacturing of snack foods
Calbee Four Seas (Shantou) Company Limited *(i)*	Paid-up capital	PRC/ Mainland China	50.0	Manufacturing of snack foods
Cadbury Four Seas Company Limited *(i)(ii)*	Ordinary shares of HK$1 each	Hong Kong	30.0	Trading in confectionery
Four Seas & Jintan Co., Limited	Ordinary shares of HK$1 each	Hong Kong	50.0	Marketing of health foods
Guangzhou Meiji Confectionery Company Limited *(i)(ii)*	Paid-up capital	PRC/ Mainland China	30.0	Manufacturing of snack foods and confectionery

20. INTERESTS IN ASSOCIATES (continued)

Particulars of the associates are as follows: (continued)

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of equity attributable to the Group	Principal activities
Guangdong M&F-Yantang Dairy Products Company Limited *(i)(ii)*	Paid-up capital	PRC/ Mainland China	21.0	Manufacturing of ice-cream and dairy products
Meiji-Four Seas Company Limited *(ii)*	Ordinary shares of HK$1 each	Hong Kong	30.0	Investment holding
MFD Holding Company Limited *(i)*	Ordinary shares of HK$1 each	Hong Kong	30.0	Investment holding
Nico-Nico Four Seas Company Limited *(ii)*	Ordinary shares of HK$1 each	Hong Kong	35.0	Investment holding
Nico Four Seas (Shantou) Co., Ltd. *(i)(ii)*	Paid-up capital	PRC/ Mainland China	35.0	Manufacturing of seaweed products
Pokka Four Seas (Suzhou) Food Company Limited *(ii)*	Paid-up capital	PRC/ Mainland China	30.0	Manufacturing of canned beverages
Pokka Coffee (Macau) Limited *(iii)*	Paid-up capital	Macau	49.0	Coffee shop and restaurant operations
Pokka Corporation (HK) Limited *(iii)*	Ordinary shares of HK$1 each	Hong Kong	49.0	Coffee shop and restaurant operations
Want Want Four Seas Company Limited *(i)(ii)*	Ordinary shares of HK$1 each	Hong Kong	30.0	Trading of snack foods

20. INTERESTS IN ASSOCIATES (continued)

(i) Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network

(ii) The financial statements of these associates are not coterminous with that of the Group and have financial year ending 31 December. These associates use 31 December as their reporting date to conform with their holding companies' reporting date or statutory requirements.

(iii) The financial statements of these associates are not coterminous with that of the Group and have financial year ending 31 January. These associates use 31 January as their reporting date to conform with their holding companies' reporting date.

The financial statements of above associates are coterminous with those of the Group, except for associates as mentioned in (ii) and (iii) above, for which the consolidated financial statements are adjusted for the material transactions between their financial year end date and the Group's year end date.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2008 ***HK$'000***	2007 *HK$'000*
Assets	**714,013**	617,318
Liabilities	**182,871**	186,297
Revenues	**739,134**	691,071
Profit	**44,541**	38,418

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments, at fair value:				
Hong Kong	**46,550**	20,317	**222**	192
Elsewhere	**1,128**	516	**–**	–
	47,678	20,833	**222**	192
Club debenture, at fair value	**327**	–	**–**	–
Unlisted equity investments, at cost	**8,798**	8,740	**–**	–
	56,803	29,573	**222**	192

During the year, the gross gain of the Group's available-for-sale investments recognised directly in equity amounted to HK$10,927,000 (2007: HK$2,178,000), of which a gain of HK$28,702,000 (2007: a loss of HK$208,000) was removed from equity and recognised in the income statement for the year.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices. The unlisted available-for-sale investments were stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

22. CURRENT LIVESTOCK

	Group	
	2008	2007
	HK$'000	*HK$'000*
Breeder chicks	**1,885**	1,441
Hatchable eggs	**482**	1,016
Day-old chicks	**1,025**	480
	3,392	2,937

Due to the generally short breeding and raising cycle of the chicks and because an active market does not exist, these livestock are classified as current assets and are stated at cost less any impairment and a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current financial year is not presented.

23. INVENTORIES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Raw materials	**33,685**	25,688
Work in progress	**10,015**	6,711
Finished goods	**95,677**	84,745
	139,377	117,144

24. TRADE RECEIVABLES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**414,475**	380,695
Impairment	**(1,457)**	(3,565)
	413,018	377,130

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one to three months, extending up to four to five months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 1 month	**131,704**	141,201
1 to 2 months	**78,176**	68,441
2 to 3 months	**82,724**	58,460
Over 3 months	**120,414**	109,028
	413,018	377,130

24. TRADE RECEIVABLES (continued)

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
At 1 April	**3,565**	1,221
Impairment losses recognised *(note 7)*	**632**	3,659
Amount written off as uncollectible	**(2,740)**	(1,315)
At 31 March	**1,457**	3,565

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$1,457,000 (2007: HK$3,565,000) with a carrying amount of HK$1,457,000 (2007: HK$3,565,000). The individually impaired trade receivables relate to customers that were in default or delinquency in payments and are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**402,652**	370,254
Less than 1 month past due	**4,253**	1,960
1 to 3 months past due	**6,113**	4,916
	413,018	377,130

24. TRADE RECEIVABLES (continued)

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Included in trade receivables is an aggregate amount due from the Group's associates of HK$1,600,000 (2007: HK$3,709,000), which is repayable on similar credit terms to those offered to the major customers of the Group.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**64,880**	52,249	**136**	136
Deposits and other receivables	**36,607**	29,065	**–**	–
	101,487	81,314	**136**	136
Less: Deposits classified as non-current assets	**(17,498)**	(12,985)	**–**	–
Current portion	**83,989**	68,329	**136**	136

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**167,540**	137,254	**1,020**	1,071
Time deposits	**276,161**	223,744	**–**	–
Cash and cash equivalents	**443,701**	360,998	**1,020**	1,071

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$92,585,000 (2007: HK$55,494,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

27. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**135,557**	124,813	**–**	–
Other payables	**39,029**	31,349	**–**	–
Accruals	**83,763**	63,893	**1,206**	1,125
	258,349	220,055	**1,206**	1,125

27. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (continued)

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 1 month	**88,647**	76,183
1 to 2 months	**21,521**	21,673
2 to 3 months	**12,974**	11,484
Over 3 months	**12,415**	15,473
	135,557	124,813

Included in the trade payables is an aggregate amount of HK$45,776,000 (2007: HK$39,346,000) due to associates, which is normally settled on 30-day to 60-day terms.

The trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms. Other payables are non-interest-bearing and have an average term of three months.

28. INTEREST-BEARING BANK BORROWINGS

Group	2008 Effective interest rate	2008 Maturity	2008 HK$'000	2007 Effective interest rate	2007 Maturity	2007 HK$'000
Current						
Trust receipt loans – unsecured	1.4%-4.6%	1-4 months	71,409	1.1%-5.1%	1 - 4 months	188,945
Bank loans – unsecured	1.2%-6.6%	Within 12 months	591,107	1.2%-5.1%	1 month	262,613
Bank loans – secured	6.7%	Within 12 months	4,995			–
			667,511			451,558
Non-current						
Bank loans – unsecured	1.4%-6.8%	2009-2011	69,442	4.8%-5.0%	2008 - 2009	90,552
Bank loans – secured	6.8%	2009	4,995			–
			74,437			90,552
			741,948			542,110
Analysed into:						
Within one year			667,511			451,558
In the second year			51,795			63,752
In the third to fifth years, inclusive			22,642			26,800
			741,948			542,110

28. INTEREST-BEARING BANK BORROWINGS (continued)

Notes:

(a) Certain bank loans of a non-wholly-owned subsidiary are secured by the pledge of certain buildings of that non-wholly-owned subsidiary amounting to HK$3,174,000.

(b) Certain bank loans of a non-wholly-owned subsidiary are secured by the pledge of certain leasehold land of that non-wholly-owned subsidiary amounting to HK$1,913,000.

(c) All the bank and trust receipt loans bear interest at floating interest rates. Their carrying amounts approximate to their fair values.

(d) Except for certain bank loans denominated in Japanese Yen equivalent to HK$222,399,000 (2007: HK$145,804,000), certain bank loans denominated in RMB equivalent to HK$81,578,000 (2007: HK$23,771,000) and nil bank loan denominated in United States dollars (2007: HK$98,000), all other bank borrowings at the balance sheet date were in Hong Kong dollars.

29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group – 2008

	Accelerated tax depreciation	Fair value adjustment arising from acquisition of subsidiaries	Revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	667	12,102	4,625	17,394
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	186	–	(110)	76
At 31 March 2008	853	12,102	4,515	17,470

29. DEFERRED TAX (continued)

Deferred tax assets

Group – 2008

	Decelerated tax depreciation	Losses available for offset against future taxable profits	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	11	1,794	912	2,717
Deferred tax credited/(charged) to the income statement during the year *(note 10)*	(3)	(1,277)	54	(1,226)
At 31 March 2008	8	517	966	1,491

Deferred tax liabilities

Group – 2007

	Accelerated tax depreciation	Fair value adjustment arising from acquisition of subsidiaries	Revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	578	1,330	4,466	6,374
Acquisition of a subsidiary *(note 33)*	–	10,772	–	10,772
Deferred tax charged to the income statement during the year *(note 10)*	89	–	159	248
At 31 March 2007	667	12,102	4,625	17,394

29. DEFERRED TAX (continued)

Deferred tax assets

Group – 2007

	Decelerated tax depreciation *HK$'000*	Losses available for offset against future taxable profits *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 April 2006	36	2,412	1,052	3,500
Deferred tax charged to the income statement during the year *(note 10)*	(25)	(618)	(140)	(783)
At 31 March 2007	11	1,794	912	2,717

At the balance sheet date, the Group has tax losses arising in Hong Kong of HK$86,895,000 (2007: HK$83,197,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$71,244,000 (2007: HK$39,321,000) that can be used to offset against future taxable profits of the companies in which the losses arose for a maximum of five years. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 March 2008, there was no significant unrecognised deferred tax liability (2007: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. SHARE CAPITAL

Shares

	2008	2007
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
399,565,640 ordinary shares of HK$0.10 each	**39,956**	39,956

Share options

Details of the Company's share option scheme are included in note 31 to the financial statements.

31. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Company, and any executive director or employee of any of the Company's subsidiaries and any entities in which the Group holds any equity interest.

The Scheme is valid and effective for a period of 10 years up to 16 September 2012, after which no further share options will be granted but the provisions of the Scheme shall remain in full force and effect in all other respects. Share options complying with the provisions of the Listing Rules which are granted during the duration of the Scheme and those remain unexercised immediately prior to the end of the 10-year period shall continue to be exercisable in accordance with their terms of grant as within the share option period for which such share options are granted, notwithstanding the expiry of the Scheme.

31. SHARE OPTION SCHEME (continued)

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 39,956,564 ordinary shares, being 10% of the shares of the Company in issue on 2 September 2002. As at the date of this report, the total number of shares available for issue under the Scheme is 39,956,564 ordinary shares, representing 10% of the existing issued share capital of the Company. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company (excluding an independent non-executive director who is a grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon receipt of the duplicate offer letter comprising acceptance of the offer duly signed by the grantee with the number of shares in respect of which the offer is accepted clearly stated therein, together with payment of a nominal consideration of HK$1 by the grantee to the Company provided that no offer shall be open for acceptance after the expiry of the Scheme or after the Scheme has been terminated. The terms and conditions of the share options granted are determinable by the directors on a case-by-case basis. Such terms and conditions may include, but are not limited to (i) the subscription price; (ii) the period within which the Company's shares must be taken up under the share option, which must not be more than 10 years from the offer date; (iii) the minimum period, if any, for which a share option must be held before it can be exercised; and (iv) the performance target, if any, that must be achieved before the share option can be exercised.

31. SHARE OPTION SCHEME (continued)

The exercise price of the share options is determinable by the directors in their absolute discretion at the time of the making of the offer which shall be stated in the letter containing the offer, but may not be less than the highest of (i) the closing price of the Company's shares as stated in The Stock Exchange of Hong Kong Limited's (the "Stock Exchange") daily quotation sheet on the offer date which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the year, no share option (2007: Nil) was granted to directors and other employees of the Company or employees of any of the Company's subsidiaries and any entities in which the Group holds any equity interests.

At the balance sheet date, the Company had no share options outstanding under the Scheme (2007: Nil).

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 41 to 42 of the financial statements.

Included in the share premium account of the Group is an amount of HK$19,900,000 which represents the difference between the nominal value of the share capital issued by the Company and the aggregate nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 1993.

Pursuant to the relevant laws and regulations for Foreign Investment Enterprises, a portion of the profits of the Group's subsidiaries and the Group's associates operating as Foreign Investment Enterprises in Mainland China has been transferred to the reserve fund. The reserve fund is non-distributable in nature and can be utilised to offset the losses incurred.

The capital reserve represents the Group's share of capitalisation of retained profits by an associate.

32. RESERVES (continued)

(b) Company

	Note	Share premium account HK$'000	Available-for-sale investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 April 2006		274,009	35	6,702	280,746
Profit for the year		–	–	31,546	31,546
Change in fair value		–	22	–	22
Interim 2007 dividend	12	–	–	(7,991)	(7,991)
Proposed final 2007 dividend	12	–	–	(19,978)	(19,978)
At 31 March 2007		274,009	57	10,279	284,345
Profit for the year		–	–	27,644	27,644
Change in fair value		–	30	–	30
Interim 2008 dividend	12	–	–	(7,991)	(7,991)
Proposed final 2008 dividend	12	–	–	(19,978)	(19,978)
At 31 March 2008		274,009	87	9,954	284,050

Included in the share premium account of the Company is an amount of HK$53,719,000 which represents the difference between the nominal value of the share capital issued by the Company and the combined net assets of the subsidiaries acquired pursuant to the group reorganisation in 1993. Under the Company Law (Revised) of the Cayman Islands, a distribution may be made from the share premium account in certain circumstances.

The difference between the share premium account of the Company and that of the Group represents the difference between the aggregate nominal value of the share capital of the subsidiaries and their combined net assets acquired, pursuant to the group reorganisation in 1993, as detailed above.

33. BUSINESS COMBINATION

Acquisition of GZ Panxi

On 7 September 2006, the Company entered into a stock purchase agreement with 廣州市荔灣區人民政府國有資產監督管理局 to acquire a 99% equity interest in GZ Panxi at a consideration of RMB38,000,000, equivalent to HK$37,242,000 (subject to adjustment), and a payment for compensation to staff of GZ Panxi of RMB9,500,000, equivalent to HK$9,394,000 (the "Acquisition"). GZ Panxi is engaged in the operation of a restaurant in Mainland China. The purchase consideration for the Acquisition was in the form of cash with HK$6,000,000 paid on 16 August 2006 and HK$31,242,000 paid on 12 September 2006, and the payment for staff compensation of HK$9,394,000 was paid on 10 October 2006.

The fair values of the identifiable assets and liabilities of GZ Panxi as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Note	Fair value recognised on acquisition HK$'000	Carrying amount HK$'000
Property, plant and equipment		24,043	8,174
Prepaid land lease payments		43,929	24,242
Inventories		687	687
Trade receivables		306	1,568
Prepayments, deposits and other receivables		51	145
Cash and cash equivalents		509	509
Trade payables, other payables and accruals		(23,845)	(19,271)
Tax payable		(139)	(139)
Deferred tax liabilities		(10,772)	–
		34,769	15,915
Minority interest		(348)	
Goodwill	17	10,105	
		44,526	
Satisfied by:			
Cash		46,636	
Other receivable arising from adjustment on consideration		(2,110)	
		44,526	

33. BUSINESS COMBINATION (continued)

Acquisition of GZ Panxi (continued)

An analysis of net outflow of cash and cash equivalents in respect of the acquisition of GZ Panxi during the year ended 31 March 2007 is as follows:

	HK$'000
Cash consideration	(46,636)
Cash and cash equivalents acquired	509
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(46,127)

Since its acquisition, the restaurant operated by GZ Panxi was under renovation, and therefore GZ Panxi had no significant contribution to the Group's revenue and consolidated profit for the year ended 31 March 2007.

Had the combination taken place at the beginning of the year ended 31 March 2007, there would have been no material change to the revenue and consolidated profit of the Group for the year ended 31 March 2007.

34. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank guarantees given in lieu of utility and property rental deposits	**542**	721	**–**	–
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	**–**	–	**1,396,274**	1,304,000
Associates	**23,400**	23,400	**23,400**	23,400
Guarantees given to third parties in connection with lease payments for lease agreements entered into by a subsidiary	**–**	–	**21,781**	21,572
	23,942	24,121	**1,441,455**	1,348,972

As at 31 March 2008, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$693,869,000 (2007: HK$532,255,000), and the banking facilities guaranteed by the Company and the Group to associates were utilised to the extent of approximately HK$13,769,000 (2007: HK$14,989,000) in aggregate.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property (note 15 to the financial statements) to an associate under an operating lease arrangement, with a lease negotiated for a term of two years.

At 31 March 2008, the Group had total future minimum lease receivables under a non-cancellable operating lease with its associate falling due as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**902**	174
In the second to fifth years, inclusive	**222**	–
	1,124	174

(b) As lessee

The Group leases certain land and buildings under operating lease arrangements. Leases are negotiated for terms ranging from one to fifty years. The Group has the option of extending the leases by up to three years in certain operating lease arrangements.

At 31 March 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**77,261**	38,569
In the second to fifth years, inclusive	**48,646**	60,863
After five years	**5,676**	1,822
	131,583	101,254

35. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee (continued)

The operating lease rentals of certain retails shops are based on the sales of those shops. In the opinion of the directors, as the future sales of those retails shops could not be accurately estimated, the relevant rental commitments have not been included above.

At the balance sheet date, the Company did not have any future minimum lease payments under non-cancellable operating leases (2007: Nil).

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35(b) above, the Group had capital commitments in respect of property, plant and equipment as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Authorised, but not contracted for	**1,014**	881
Contracted, but not provided for	**10,208**	12,949
	11,222	13,830

At the balance sheet date, the Company had no significant commitments (2007: Nil).

37. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with its related parties during the year:

		2008	2007
	Notes	***HK$'000***	*HK$'000*
Purchases of goods from associates	*(i)*	**400,022**	366,587
Sales of goods to associates	*(ii)*	**15,576**	12,267
Promotion expenses reimbursed by associates	*(iii)*	**15,740**	14,528
Rental income from an associate	*(iv)*	**855**	701

37. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

(i) The cost of purchases from associates was determined by reference to the prevailing market prices.

(ii) The selling prices of the goods sold to associates were determined by reference to prices and conditions similar to those offered to other major customers.

(iii) The promotion expenses reimbursed by associates were determined by reference to the costs incurred by the Group.

(iv) The rental income from an associate was determined between the Group and the associate.

(b) Other transactions with related parties:

The Group has executed guarantees in favour of certain banks for banking facilities granted to its associates to the extent of HK$23,400,000 (2007: HK$23,400,000), as further detailed in note 34 to the financial statements.

(c) Outstanding balances with related parties:

(i) Details of the amounts due from associates to the Group at the balance sheet date are included in note 20 to the financial statements.

(ii) Details of the Group's trade balances with its associates as at the balance sheet date are disclosed in notes 24 and 27 to the financial statements.

(d) Compensation of key management personnel of the Group:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Short term employee benefits	**13,624**	13,542
Pension scheme contributions	**465**	489
	14,089	14,031

Further details of directors' emoluments are included in note 8 to the financial statements.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Financial assets

	Group					
	2008			2007		
	Loans and receivables	**Available-for-sale financial assets**	**Total**	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	**–**	**56,803**	**56,803**	–	29,573	29,573
Due from associates	**3,637**	**–**	**3,637**	193	–	193
Trade receivables	**413,018**	**–**	**413,018**	377,130	–	377,130
Financial assets included in prepayments, deposits and other receivables	**32,498**	**–**	**32,498**	29,065	–	29,065
Cash and cash equivalents	**443,701**	**–**	**443,701**	360,998	–	360,998
	892,854	**56,803**	**949,657**	767,386	29,573	796,959

Financial liabilities

	Group	
	2008	2007
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	*HK$'000*
Financial liabilities included in trade payables, other payables and accruals *(note 27)*	**174,586**	156,162
Interest-bearing bank borrowings	**741,948**	542,110
	916,534	698,272

38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets

	Company					
	2008			2007		
	Loans and receivables	**Available-for-sale financial assets**	**Total**	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	**–**	**222**	**222**	–	192	192
Due from subsidiaries	**486,166**	**–**	**486,166**	451,160	–	451,160
Cash and bank balances	**1,020**	**–**	**1,020**	1,071	–	1,071
	487,186	**222**	**487,408**	452,231	192	452,423

Financial liabilities

	Company	
	2008	2007
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	*HK$'000*
Due to subsidiaries	**235,452**	200,253

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short and long term debt obligations with a floating interest rate.

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts, which is regularly reviewed by senior management.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity. There is no impact on the Company's equity.

		Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** *HK$'000*	**Increase/ (decrease) in equity** *HK$'000*
2008			
Hong Kong dollar	25	(1,119)	(923)
Japanese Yen	25	(307)	(253)
Renminbi	25	(118)	(97)
Hong Kong dollar	(25)	1,119	923
Japanese Yen	(25)	307	253
Renminbi	(25)	118	97
2007			
Hong Kong dollar	25	(1,104)	(911)
Japanese Yen	25	(269)	(222)
Renminbi	25	(53)	(44)
Hong Kong dollar	(25)	1,104	911
Japanese Yen	(25)	269	222
Renminbi	(25)	53	44

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the Japanese Yen exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity. There is no impact on the Company's equity.

	Increase/ (decrease) in Japanese Yen rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity**
	%	*HK$'000*	*HK$'000*
2008			
If Hong Kong dollar weakens against Japanese Yen	1	(1,789)	(1,476)
If Hong Kong dollar strengthens against Japanese Yen	(1)	1,789	1,476
2007			
If Hong Kong dollar weakens against Japanese Yen	1	(1,126)	(929)
If Hong Kong dollar strengthens against Japanese Yen	(1)	1,126	929

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, amounts due from associates and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 34 to the financial statements.

Since the Group trades only with recognised and creditworthy customers, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group

	2008			
	On demand	**Less than 12 months**	**1 to 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Trade payables and other payables	**18,309**	**156,277**	**–**	**174,586**
Interest-bearing bank borrowings	**–**	**667,511**	**74,437**	**741,948**
	18,309	**823,788**	**74,437**	**916,534**

	2007			
	On demand	Less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables and other payables	14,414	141,748	–	156,162
Interest-bearing bank borrowings	–	451,558	90,552	542,110
	14,414	593,306	90,552	698,272

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

At the balance sheet date, the amounts due to subsidiaries of HK$235,452,000 (2007: HK$200,253,000) are repayable on demand.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale investments (note 21) as at 31 March 2008.

The following table demonstrates the sensitivity to every 3% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date.

	Group			Company
	Increase/ (decrease) in fair value	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity**	**Increase/ (decrease) in equity**
	%	*HK$'000*	*HK$'000*	*HK$'000*
2008				
Investments listed in Hong Kong:				
– Available-for-sale	3	–	1,397	7
	(3)	–	(1,397)	(7)
2007				
Investments listed in Hong Kong:				
– Available-for-sale	3	–	609	6
	(3)	–	(609)	(6)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2008 and 31 March 2007.

The Group monitors capital using a gearing ratio, which is interest-bearing bank borrowings divided by equity attributable to the equity holders of the parent. The gearing ratio is regularly reviewed by senior management. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Interest-bearing bank borrowings	**741,948**	542,110
Equity attributable to equity holders of the parent	**871,948**	798,541
Gearing ratio	**85%**	68%

40. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 July 2008.

Particulars of Property

INVESTMENT PROPERTY

Location	Use	Tenure	Percentage of attributable interest of the Group
Levels 1 and 2 (west portion) of Four Seas Group Guangdong Headquarter Building Complex, Yuepu South Industrial Zone, Shantou, Guangdong Province, The People's Republic of China	Industrial	Medium term lease	100

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